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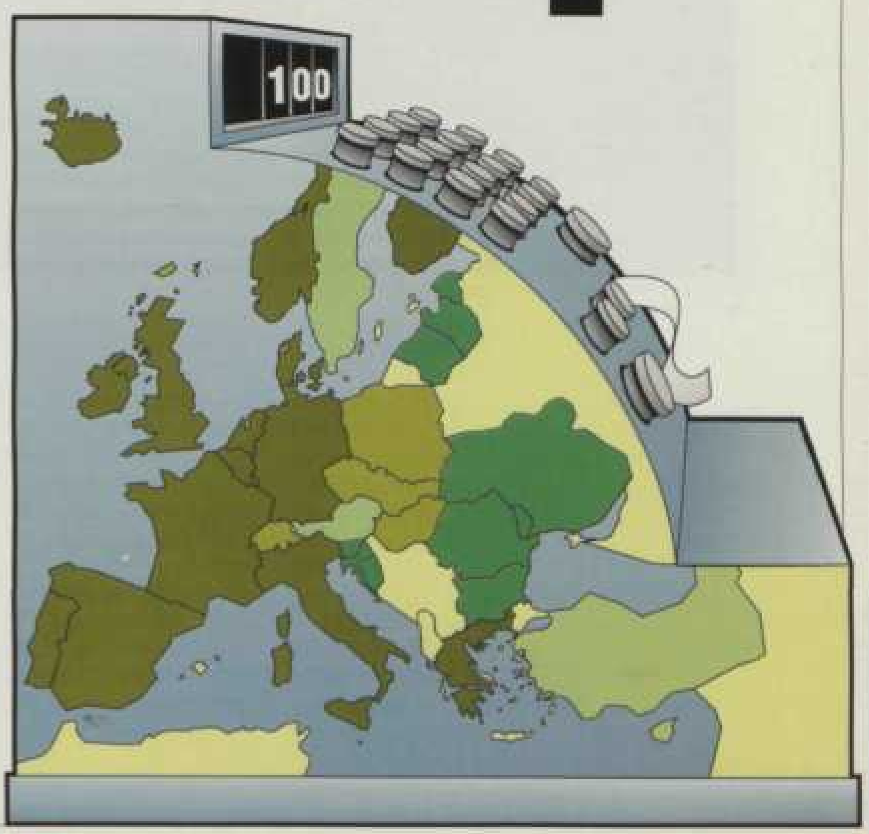
How To Deal With Sexual Harassment

Don't Delay On Estate Planning

Complying With The Disabilities Law

Selling In The New Europe

What political and economic trends mean to U.S. firms.



DECEMBER 1991

Our Ads Are Designed To Have Impact.

Nation's Business

Published by U.S. Chamber of Commerce Washington, D.C.

PHOTO: STUART BARTHOLOMEW

A unified European market *under the EC92 plan could cut U.S. firms' exporting costs, says Russell J. Dopson, left, vice president of Xircom, a computer-parts manufacturer with substantial sales in Europe. Cover Story, Page 18.*

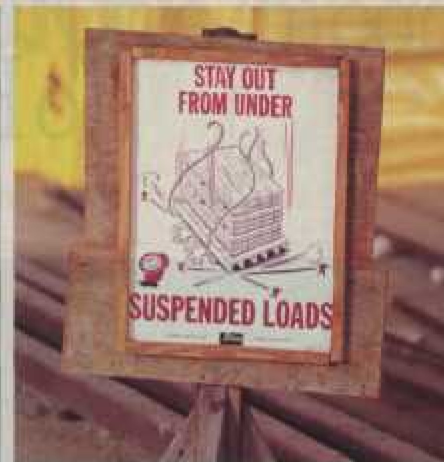


PHOTO: T. MICHAEL KEZA

Job-site reminders *are part of the M.B. Kahn Construction Co.'s model safety program. Regulation, Page 25.*

VOL. 79, NO.12

Editor's Note

PHOTO: ©LEIF SKOOGFORS—WOODFIN CAMP

The engineers *who founded Ensoniq Corp. make entrepreneurial music. Making It, Page 12.*

What The News Will Mean For You

PHOTO: ©JON FEINGERSH—UNIPHOTO

"An employer is responsible" *for sexual harassment in the workplace, says the EEOC, if "the employer knows or should have known of the conduct."*

You'll find several particularly timely articles in this month's issue.

"How To Deal With Sexual Harassment" (Page 28) will give you a strong grasp of the background of this complex and often difficult issue, the legal decisions and principles that apply now, and likely developments just ahead. The subject has been much in the news of late, but this article is geared to your needs as a manager who must be ready if complaints arise in your company. You might find some surprises in just what's involved in the definition of sexual harassment and how it continues to evolve as a workplace issue.

Moving to a global scale, small businesses that already have customers overseas or plan to seek them will find that our cover story, "Selling In The New Europe" (Page 18), is a valuable contribution to the information they need to compete in that market. It's a comprehensive update spotlighting the impact that economic and political changes are having on Europe's march to EC92, the symbol for the integrated economy whose achievement once seemed far easier than it does now. With the trend to greater involvement in overseas trade by small businesses, this report will be highly useful to those companies needing to keep up with what's happening in foreign markets and how it affects their plans.

Other highly useful articles deal with the implementation in late January of key provisions of the Americans with Disabilities Act (Page 36) and ways to reduce costs through workplace safety (Page 25).

The report on the disabilities law is another in a series designed to familiarize business with its sweeping requirements. This is must reading for every business owner and manager.

And there's lots more solid information in this issue for those of you faced with the daily challenges of running a small business.

Robert T. Gray

Robert T. Gray
Editor

DEPARTMENTS

Cover Design: Angela Reed Breese
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Letters

Schools That Work: A Return On Investment

"Schools That Work" [Cover Story, October] is an excellent summary of business-education collaborations that seem to provide meaningful returns for the investment expenditures.

David Kearns also makes an important point in noting that genuine progress in improving the competitiveness and preparedness of the work force will take place school by school and community by community. The winners will be those communities that can: 1) form cooperative alliances, 2) articulate a vision of educational excellence, 3) devote more energy to seeking creative use and leverage of existing resources, and 4) maintain the enthusiasm and commitment required for a long-term effort.

All must realize that progress will occur in frustratingly slow but steadily reinforcing increments.

James C. Mabry
Vice Chairman/Treasurer
North Carolina Business Committee for Education
Office of the Governor
Raleigh, N.C.

Mixing Education And Business

The Fort Worth Independent School District and the Fort Worth Chamber of Commerce have put together Project C3. Corporations, communities, and classrooms are working together to motivate and prepare students for success in school, in the marketplace, and in life. The process is based on the assumption that students will learn more effectively if they can relate class work to skills needed to succeed after graduation.

Bonita Sparrow
Director
Fort Worth ISD Communications Office
Fort Worth, Texas

Bring The Real World To Class

Good as it was, your article missed one of the major detriments of schools—a lack of teachers with real-world experience. Teachers undergo an education that, for example, does not teach mathematics, but how to teach mathematics.

As a youth in several laboring summer jobs, I saw uneducated men deal with geometric figures and undertake perfect job measurements even though they never learned complex formulas.

We should consider a requirement that no one can teach in the grade schools without five years of real-world experience. That requirement would be 10 years for high school and 15 years for college.

Richard A. Katzman
Richard A. Katzman Associates
New Cumberland, Pa.

Start Early

Business involvement in education is beginning to pay off, but before truly significant improvements can be achieved, we must get parents involved in pre-first-grade education of their own children.

Carlos A. Bonilla, President
International Consulting Associates, Inc.
Stockton, Calif.

The Hidden Costs In Managed Health Care

Your articles about health care generally support the concept of managed care, as does the one in the October issue ["States Hamper Cost Cutting"]. Managed care increases costs by using prior authorization and utilization review. Administrative costs in the health-care system are already rising at three times the rate of increased medical-service charges. Prior authorization and case review take time, cost money, and increase paperwork.

Managed-care systems are a minimally effective short-term answer to the health-care crisis. In a few short years, their policies and administration will be as costly as the policies from group health insurance carriers. The losers in the system appear to be whoever is paying for the health-care coverage.

Thomas K. Joseph
Care Chiropractic
Brooklyn Park, Minn.

Tiers, Idle Tiers

Come on now, let's get the story straight. Medical groups, hospitals, and other health-care providers are not opposed to appropriate managed care. We are opposed to the use of obscure criteria designed to limit and deny needed benefits and to the proliferation of managed-

care companies that have little interest in patient care but are in managed care to make a fast buck.

We need professional managed-care companies, but we must be careful not to add another expensive tier to the delivery of health care, nor deny access to our delivery system arbitrarily. Patients are starting to get hurt.

Dan B. Page
President
Greenleaf Health Systems, Inc.
Chattanooga, Tenn.

Nobody Asked If This Owner Liked Mandatory Wage Deduction

I'm appalled at the statement that "virtually all employers contacted in an informal survey supported" the mandatory wage deduction for child support if it would reduce poverty and welfare expenditures ["Dragging Employers Into Child Support," October].

As a small-business owner, I wonder whom you contacted. Were these employers who do not have full-time personnel departments, who do not have fancy computer systems doing the work for them, who are struggling to stay in the black and now have to save the world and reduce poverty?

In the first three months of this year, our company had three such wage assignments. Our computer system was not set up to handle such deductions. The procedure required will take at least an additional two hours for each semimonthly payroll.

I then am responsible for forwarding this wage assignment to a court clerk within 10 days; if the check is lost in the mail, I am required to prove that it was sent.

If I take more than 50 percent of the employee's check, then the employee has legal recourse against me.

Please, where are the rights of the employer? I am working to keep the company financially sound and provide jobs for other employees, yet the court is demanding that I be responsible for another person's acts and financial irresponsibility.

There are other means available to alleviate this problem. The business community cannot be the salvation for all the world's ills and problems.

Kerren A. Vollmer
Vice President/Owner
Nava-Hopi Tours, Inc.
Flagstaff, Ariz.

[Editor's Note: We published the article to alert employers to the responsibilities that this law imposes on them and did not in any respect intend to indicate approval of these requirements.]

Extended Warranties: A Correction

Your report on extended warranties [It's Your Money, August] erroneously stated that Chrysler was among "some other companies" which usually have an insurance company as a backer of extended warranties.

Chrysler is the main direct backer of its extended warranties (Chrysler Service Contracts), just like General Motors and Ford.

Some states do require service contracts to be backed by an insurance company, which applies to all manufacturers.

J.R. Boyd
Manager, Marketing and Sales
Chrysler Service Contracts
Troy, Mich.

Send letters to Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062, and include your phone number. Letters addressed to the Editor will be considered for publication unless the writer requests otherwise, and they may be edited and condensed.*

Entrepreneur's Notebook

Take A Risk—But Not Recklessly

By Doug Gilberg

When my wife and I set up our entire farm to grow perennial plants, local nursery owners called us the "fools who live on the hill."

Today, they're some of our best customers.

Yet in some ways, those nursery owners weren't exactly wrong. After all, every year we put everything on the line; our risks are compounded by uncertainties in weather. So we have learned to approach risk cautiously.

In the early 1980s, my wife, Cindy, and I had a landscaping business 30 miles outside St. Louis. We had a hard time finding sources of perennials—flowers that bloom every year, such as daisies and irises. So, about eight years ago, we started growing them for ourselves, and Gilberg Perennial Farms Inc. was born. Some three years later, we added wholesaling to our business; we answered our phone, "No trees, no shrubs, no annuals, no vegetables."

To draw customers, we built a tourist attraction that doubles as a garden center, with display gardens, waterfalls, and everything needed to show our product's potential. Some observers would say we took an excessive risk, but I prefer to think we had confidence in our own foresight and gut instincts.

In our first year with the garden center, sales reached $475,000.

Today, we grow about 1,600 types of plants; we'll sell about 1 million containers in 1991—both wholesale and retail—bringing in about $1.5 million. Containers' retail prices range from $3.25 to $50.

Doug Gilberg: *His nursery, with display gardens and waterfalls, doubles as a tourist attraction.*

Starting any business is risky, but growing perennials is doubly treacherous. We do 80 percent of our business in April and May, and if we have a few weeks of bad weather—enough to keep people out of their gardens—it can bring sales to a dead stop. The longer the product sits unsold, the worse it looks—and the harder it is to sell once the weather passes.

Bad weather hit this past spring, just when we had been hoping to recoup a major investment. We had stopped wholesaling in 1989 because we had run out of production room. A year later, we bought 67 acres and spent $400,000 on a new production facility so we could resume wholesaling. Just as we got into our money-generating season this year, the weather turned. While our total sales volume for the year was up, it was still well below my expectations. That makes it tougher to invest in future crops.

As I get older, I find myself getting more conservative and less comfortable with the risks involved in running a company. I have more assets than I've ever had, but they are just as much at risk as the little I had when I started.

Minimizing the risks has become one of my priorities. It has required more-aggressive management, coupled with the same instinctive reactions that enabled us to start the company.

For example, I have significantly cut the payroll during the off-season. Although it wasn't easy, it was essential for our long-term profitability. That was borne out this year, when those extra costs and the bad weather could have meant the difference between a profit and a loss.

From a marketing and sales standpoint, reducing risk has meant preselling some of our goods. While we still grow a lot of our plants for retail sales, we now have reduced our risks by having orders in hand for others before they are even planted.

That strategy is complemented by our push to be a regional force in wholesaling, serving increasingly distant markets. Bad weather here may not affect places 50 or 100 miles away, so expanding our service area is a hedge against the weather risk.

As a result of these moves, when the expenses are going out—as they are right now—I can be a little more comfortable that the payoff will be coming in the spring.

Investing in the new production facility was another major risk—one that many entrepreneurs can identify with—but it was also a risk-reduction move. Our new farm is much more efficient than the old one, from the way it is laid out to the way plants are moved around. That means production is more cost-effective, which eventually should reward us handsomely.

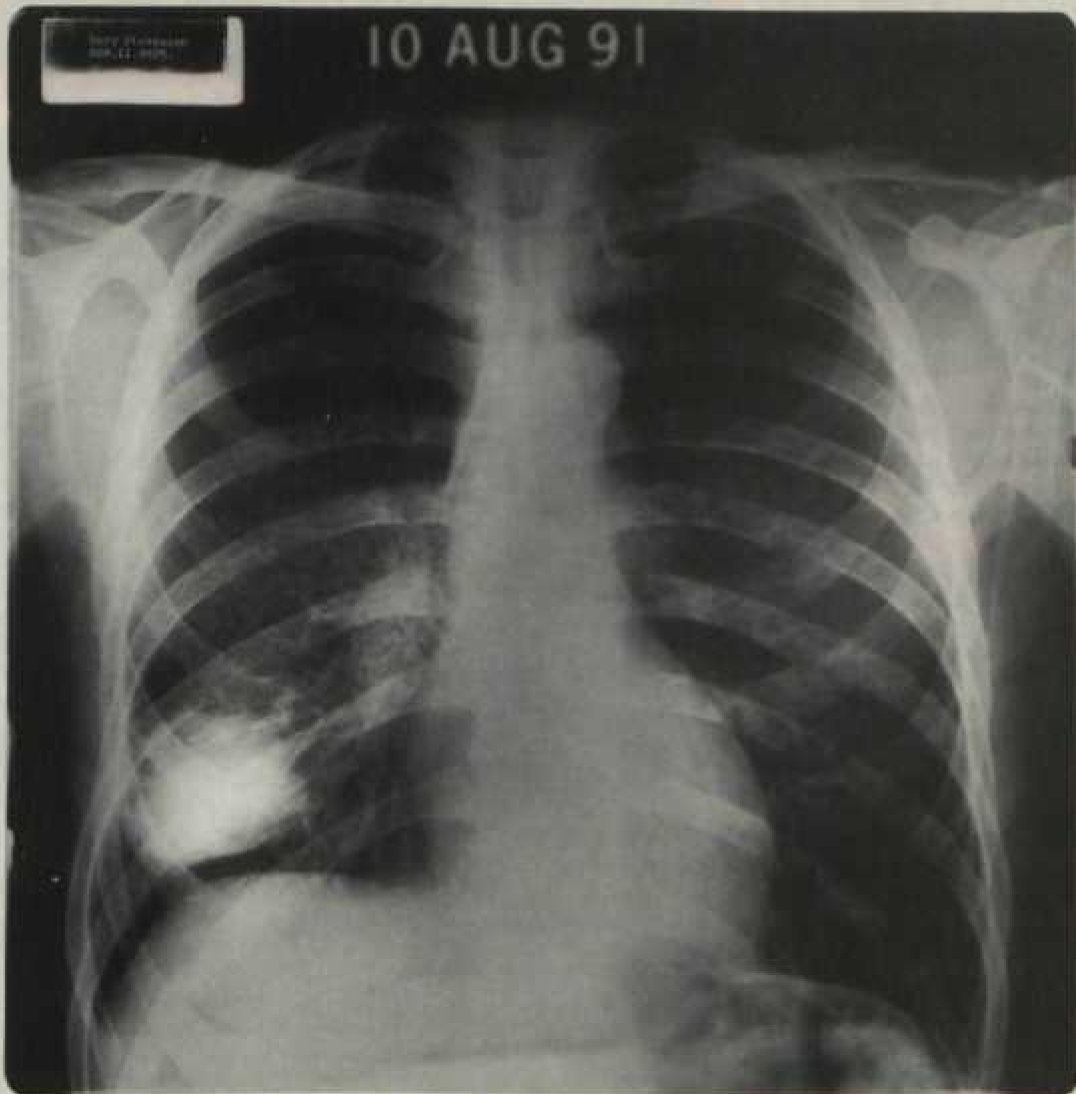
With the new farm in place, I want our operations to produce financial reserves that will make it easier to survive the April showers of the future.

The credo here now is maintaining quality while cutting costs; if we can achieve that, I'll be pretty comfortable with the risks we're taking. I still have a lot of faith in my instincts and my ability to make tough decisions pay off for the company.

Those people who second-guessed us when we went into the perennials business assumed "risky" meant "reckless." That is wrong; by managing smartly to maximize our potential for success, we make sure of that every day. NB

Doug Gilberg is president of Gilberg Perennial Farms Inc., of Glencoe, Mo. He prepared this account with Nation's Business *Contributing Editor Charles A. Jaffe.*

Readers with special insights on meeting the challenges of starting and running a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*



Because he works for a small company, the prognosis isn't good for his fellow workers either.

A serious illness in a small company can be tragic for other employees as well. When renewing its health insurance plan the company may be charged excessively high premiums and be forced to drop the plan.

At The Prudential we think reform in this area is long overdue. That's why The Prudential is backing legislation that will regulate the guidelines and rating practices of insurers so that premiums don't become prohibitive when an employee has had a serious illness.

After all, a small company shouldn't be forced to drop its health plan because an employee was sick enough to need it.

For more information about this subject and other ways that The Prudential is working for health care reform, write:

New Approaches to Health Care, The Prudential, 751 Broad Street, 16th Fl., Newark, N.J. 07102-3777.

The Prudential

Circle No. 29 on Reader Service Card

Managing Your Small Business

Coping with rapid growth; making holiday plans; and cleaning up waste.

By Bradford McKee

GROWING BUSINESSES

A Small Firm Scores With A Major-League Contract

When Larry Burkindine's firm landed its biggest contract ever, there was no question about what he had to do: He had to grow fast.

His firm, L.D. Burkindine Sheet Metal Inc., was a six-person company working from a garage in Baltimore when it was picked to install $1.6 million worth of duct work in the city's new baseball stadium. The stadium—Oriole Park at Camden Yards—is to be completed for opening day in the spring.

This Herculean challenge sparked big changes in Burkindine's firm. The most jarring growth pain was hiring 26 people in short order. Another eye-opener was the enormousness of the paperwork for such a project, Burkindine says. He hired a payroll service, but it did not do the daily logs, union records, or insurance forms that he had to complete. So he turned instead to a computer program that took care of those matters as well as his payroll.

To install the duct work *at Baltimore's new baseball stadium, Larry Burkindine's firm had to cope with growing pains.*

Burkindine also found he needed to train and retrain employees to expand their versatility. For example, he says, one secretary learned to cut sheet metal, and she has since become his office manager.

"We've been bound up a little bit" by this job of jobs, says Burkindine, but "it was either time to stop growing or to make a big leap." ■

SALES

One Retailer's Strategies For Happier Holiday Sales

Somber year-end retail forecasts don't discourage David Horr. Because holiday sales will be hard to come by, he says, he is finding ways to bolster them.

Horr is chairman and chief financial officer for Marting's Department Store, in Portsmouth, Ohio. With the local economy lagging, he says, Marting's has to "work very hard just to get customers in the door."

Once the customers are inside, says Horr, they're finding better prices and "better values" in goods such as women's sportswear, women's ready-to-wear, and cosmetics—what he calls the "key" merchandise that sells well at the store.

In addition, Marting's is offering its best charge customers enhanced charge accounts with "special privileges" such as free alterations and complimentary gift wrap for their purchases.

"These people are important to us," Horr says.

In the rooms behind the selling floor, according to Horr, Marting's is watching margins and markdowns more closely and is controlling inventories, which he says are "slightly below" last year's.

"We don't take entire lines of vendors," Horr explains. "We look at our sales first for the customer, not selling for the manufacturer." ■

ENVIRONMENT

State Experts Help Companies Solve Their Waste Problems

Small firms looking for ways to eliminate or reduce the waste produced in their manufacturing or other operations are turning to state agencies for help.

About 42 states have technicians who can help small businesses solve waste problems, says Rick Reibstein, manager of a Massachusetts pollution-prevention office. He says, for example, that his staff showed the owner of a small toolmaking firm how to install a "dragout tank" for waste zinc, saving him $25,000. "It took 10 minutes, and bang! The guy was in compliance," says Reibstein.

North Carolina has a team in Raleigh that can help firms find cost-effective ways to cut waste.

The staff puts together case studies and provides them to other firms, and it visits factories to find ways to cut hazards and toxic waste, says Sharon Johnson, a state environmental expert.

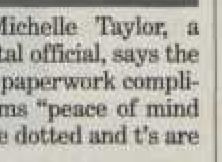
As a result of the North Carolina effort, one milk company now captures about 160 tons of dairy waste a year for use as feed, saving about $350,000. A furniture factory in the state saves about $5,700 per year by recycling used lacquer thinner.

New York's pollution-prevention bureau can help photo processors, dental offices, dry cleaners, and vehicle repairers, among others, with ways to cut various pollutants. Michelle Taylor, a New York environmental official, says the bureau also helps with paperwork compliance, to give small firms "peace of mind knowing all their i's are dotted and t's are crossed."

To locate sources of such help in your state, contact Bob Style at the National Roundtable of State Pollution Prevention Programs, in Minneapolis; (612) 379-5995. For more on environmental management, see "The Best Defense Against Pollution," in the November *Nation's Business*. NB

SEASONAL SPENDING

HOLIDAY PLANS



How midsized firms expect their spending this year for holiday parties and/or bonuses will compare with last year's spending:

Increase:	**18%**
Decrease:	**23%**
No Change:	**59%**

The likelihood of bonuses for employees:

In Family Firms:	**74%**
In Nonfamily Firms:	**50%**

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Making It

Growing businesses share their experiences in creating and marketing new products and services.

A Firm Practices What It Teaches

What would you do if your 9-year-old company—consistently acclaimed as one of the fastest-growing privately held firms in the U.S.—was hit so hard by recession and Gulf War jitters that annual sales all but stopped growing?

If that happened and you were Jimmy Calano, president and chief executive officer of CareerTrack, Inc.—a Boulder, Colo.-based producer of self-improvement seminars for individuals and corporations—you'd do just what you suggest your seminar participants do: Think positively, hunker down, and reposition your company for the challenges ahead.

"We worked morning, noon, and night and literally reinvented the company," says Calano, 33. He and co-founder Jeff Salzman, 36, streamlined CareerTrack's direct-mail operation, dropping unresponsive names from their extensive lists and getting in touch more often with proven customers. They shifted their marketing emphasis to reflect workers' real concerns, such as surviving the recession.

Calano and Salzman negotiated to bring several "name" presenters to their company while developing new seminars that stressed personal and professional skills for hard economic times. They re-emphasized similar existing programs, like the for-women-only "Self-Esteem and Peak Performance" seminar, which offers advice for turning improved self-image into increased productivity.

As a result, Calano says, he and Salzman turned probable disaster into opportunity—and without laying off any of their 390 employees. "We had to get sales up," he says, "and we did it."

That is what you would expect from Calano and Salzman, who, through hard work and aggressive innovation, built what they say is now America's largest one-day training company. In 1982, they started with just $10,000—all of it their own money—and produced programs in a handful of U.S. cities. By 1990, they were recording $66 million in revenues from public seminars in 500 cities in 20 countries, private seminars for some of the world's best-known corporations, sales of audio and video products, and rental of a mailing list with 2 million names.

PHOTO: ©JAMES COOK

Crunch time at CareerTrack *prompted President Jimmy Calano and co-founder Jeff Salzman to reposition their seminar firm and raise its sights.*

"When we started, we had no business plan and no system," says Calano, who usually serves as spokesman for the pair. "We did know about marketing, meeting planning, and processing registrations." The other elements of building and running a successful training company—hiring and training presenters, developing seminars, making financial and legal decisions—"we had to learn along the way."

Calano and Salzman took by storm an industry estimated by its own trade magazines and organizations to be crammed with 3,000 vendors offering 125,000 programs. By 1990, CareerTrack was presenting 6,500 seminars to 750,000 participants each year.

When Calano and Salzman first met, their plans were more modest. Calano, then 24, was producing customized in-house business training seminars in Denver and owned a mailing-list rental company. Salzman, then 27, owned an advertising agency in Boulder. They immediately decided that their talents were complementary—and suited to what they saw as an imminent boom in business-oriented self-improvement seminars. In March 1982, they joined forces to offer a program for working women.

Calano knew the training industry, and he knew direct marketing; Salzman was a copy-writing pro. So Calano picked up the numbers side of the operation (law, finance, seminar registration, meeting planning) while Salzman concentrated on the words (seminar creation, speaker selection, brochure production). In their first year they grossed $220,000.

But a snag soon developed. At the time, Calano explains, only about two dozen

cities were considered large enough to be potential markets for one-day seminars, and after one round with CareerTrack's lone offering, almost all of those markets were temporarily exhausted. In addition, Calano and Salzman felt their going rate of $165 to $195 for one-day sessions was unaffordable for many.

"We decided upon two strategies to attract attention: convenience and affordability," Calano says. The first was achieved by expanding into previously ignored markets, ranging from Absecon, N.J., to Pendleton, Ore. The second involved dropping prices, first to $125, then to $95, and eventually to $45 for most of their one-day seminars.

"We kept taking our programs to smaller and smaller cities, essentially targeting any place with a population of 25,000 or more. At the same time, we stretched training budgets, allowing managers to send four or five of their people to our seminars instead of one," Calano recalls. "The response was phenomenal."

By expanding to smaller cities, they gained entry into untapped markets. Also, they found that by cutting admission to one-fourth the going rate, they signed up five to six times as many participants, more than making up the difference. With the addition of top-notch seminar leaders, and with programs by such well-known management gurus as Tom Peters and Ken Blanchard, growth was rapid. But so was duplication of their best efforts by the competition, says Calano. Low-priced seminars became commonplace; small cities soon were the sites of more and more programs; audio tapes that mimicked the style and content of CareerTrack's own tapes increasingly appeared on the market.

So Calano and Salzman continued to innovate. They developed private seminars that attracted clients as large as IBM and AT&T. They added videotapes to their catalog. They expanded into Europe, Australia, and Asia.

When CareerTrack's mid-1990 crunch came—shortly after it moved into a new, $10-million, 108,000-square-foot "corporate campus"—Calano and Salzman did more than revamp their seminar topics and their direct-mail efforts. They also mapped out a future that includes computer software, a publishing arm, further overseas expansion, and development of seminars of two to three days for upper-level managers.

Calano and Salzman have seized on CareerTrack's difficulties as the occasion for raising its sights. Says Calano: "We want to be the best, not just the biggest."

—Howard Rothman

A Successful Oregon Sister Act Gets Ready For Its Second Act

For many entrepreneurs, there comes a critical time when their enterprise is a little too big and successful to be called a start-up, and a little too small and fragile to be called an established business. That's when it begins to require not just energy and creativity but careful planning and supervision. That's when entrepreneurs have to decide if they're cut out to be managers.

That decision can be wrenching, or it can come easily. It all depends on how honest you are about your own abilities. Here, for example, is the candid self-assessment of entrepreneur Sandy Anderson, who with her sister Barbara Todd started a company called Orchids Only! "We enjoy growing more than managing. It's much more fun to take something to the market and see if it sells."

Anderson, 41, and Todd, 43, started selling orchids 10 years ago in Portland, Ore., from a greenhouse at Todd's home. A few years later, Todd says, "an orchid grower came to us," offering them "more blossoms than we could ever sell in Portland." They ran ads in national magazines for cut flowers, arranged in baskets, and built a mailing list from the responses.

Orchids Only! has since won a nationwide following for its beautiful, long-lasting flowers. But at the end of this year, Anderson and Todd will leave the company they founded—with no regrets.

They sold Orchids Only! two years ago to Bear Creek Corp., a Medford, Ore., firm that sells fruit under the Harry and David name. The sisters stayed on for two years while the new owners integrated Orchids Only! into their mail-order operations. As of Dec. 31, the Anderson-Todd connection with Orchids Only! will end, and they will close their office in southern Portland.


PHOTO: T. MICHAEL KEZA

Orchids Only! founders *Barbara Todd and Sandy Anderson sold their mail-order flower firm—with no regrets.*

The two sisters in fact had gone looking for buyers. By 1988, Todd says, "we were thinking that we needed more computer systems, we needed more telephone operators, we needed some major capital expenditures. We didn't feel that we really had the background to make those kinds of expenditures ourselves." They turned to some direct-marketing consultants for help. Those consultants, Todd explains, "positioned" the company to make it more appealing to prospective buyers. They did such things as expand the product line and improve the catalog.

In 1989, the sisters approached three larger companies that seemed to be likely purchasers, and after a few months it was clear that Bear Creek was the best fit. Not only was it an experienced mail-order company, with sales of more than $100 million a year, but its busiest time of the year fell around Christmas, whereas Orchids Only! sold most of its flowers for Easter and Mother's Day. Orchids Only! could thus help Bear Creek even out its workload.

Anderson and Todd can't reveal how much they got for Orchids Only! or even how large its sales were before they sold, but Todd does say that sales were already in seven figures when Bear Creek took over—and they have quintupled since then.

Now that their contract with Bear Creek is ending, the sisters are looking ahead, even as they work on their last catalog, for next Mother's Day. They plan to become catalog consultants once they're on their own, and they want to invest in some small start-up mail-order companies.

Anderson and Todd regard with equanimity the absorption of Orchids Only! into a much larger company, and even the prospect that it may disappear entirely, swallowed up in the Harry and David catalogs. "I have a kid that's 16 years old," Anderson says, "and after a while, they just have to go on their own. You can only do so much, and then you have to let go."

—Michael Barrier

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How A Pennsylvania Company Makes The Sweet Sounds Of Innovation

It's a good thing Robert J. Yannes is not a good musician and Albert J. Charpentier has lost a bit of his hearing. Because of their limitations, they and David B. "Bruce" Crockett, founders of Ensoniq Corp., a Malvern, Pa., company, have introduced sonic technology that is a boon to music lovers and to the hearing-impaired. And they've only just begun.

The three engineers, who developed the Commodore 64 home computer, left Commodore Business Machines in 1982 to start a competing company. But they had barely launched their new venture when, Crockett says, "the first home computers went through their zenith and crashed and burned." With the market for their planned computer so much weaker than they had expected, they were forced to think in terms of other products.

It was Yannes, now 34, who nudged them into electronic keyboards. He is an amateur keyboard player but, he says, not a good one. "I was looking for something that would allow a person of very limited musical talent to make music," he says. While the synthesizers then available could produce a wide range of sounds, they were expensive. Yannes, who had designed the sound chip for the Commodore 64, thought Ensoniq could advance the technology and bring down prices.

By 1985, they had introduced their first product, a "sampling" keyboard called the Mirage. While synthesizers mimic acoustic instruments, samplers are computers designed to record and manipulate sounds—modifying your own voice so that you sound like a chorus, for example, or creating the sound of an entire orchestra. And you can store your creation on a disk.

Until Ensoniq came along, comparable samplers cost musicians $8,000 or more. The Mirage's price tag was $1,695. "Overnight, in the musician's world, the keyboard world, we were a known commodity," says Crockett, 50, Ensoniq's president.

By entering the market at such a low price, Ensoniq took such competitors as E-mu Systems, Yamaha, and Roland by surprise. By 1986 it was showing a profit of $2 million on $22.6 million in sales. The company now makes a variety of keyboards priced from $995 to $2,995.

PHOTO: ULEIF SKOOGFORS—WOODFIN CAMP

It's tough but fun *to build a company, say Ensoniq founders (from left) Al Charpentier, Bob Yannes, and Bruce Crockett. Their keyboards let people enjoy making music.*

Ensoniq's founders view it not as a music company but as a technology company—it custom-designs microchips. But Crockett says it was more than innovative technology that brought the Mirage's price down: "It was our mind-set." He and his partners eliminated features they felt customers didn't really want, and they used their technological expertise to make the other features cost less.

Mind-set enabled Ensoniq to make another innovative leap when Al Charpentier discovered his hearing loss. While fine-tuning one of the company's instruments one day, an engineer called a noise to Charpentier's attention. Unable to hear it, Charpentier thought the engineer was kidding—until the volume was turned up enough that Charpentier could hear it too.

A hearing test confirmed a loss in the high-frequency range. But when Charpentier, who is now 39, learned that the hearing aids available couldn't pick up and amplify the particular sounds he was missing, he saw the opportunity for a new application of Ensoniq's technology.

Two years ago, Ensoniq introduced the Sound Selector, a computer-programmable hearing aid that can be more precisely tailored to a patient's hearing loss than other hearing devices, amplifying tones the patient wants to hear without boosting background noise. The Sound Selector is based on a chip that functions like a sophisticated stereo system's graphic equalizer, creating more balanced sound by adjusting it among 13 frequency bands—compared with two or three frequencies in most other hearing aids.

Now worn by about 4,000 people, the Sound Selector put Ensoniq in the vanguard of the hearing-aid industry. But at a price. "We ended up putting about $4 million into it," says Crockett, "and I gotta tell you, it just about broke the company, because it took a lot more time, a lot more effort, and one hell of a lot more money than we ever suspected it would."

After what Crockett describes as "two years of very, very tough times," Ensoniq is bouncing back, expecting sales of $35 million for the fiscal year ending Jan. 31, 1992—up from $23 million the previous year. It is shipping its products to nearly 30 countries and recently signed an agreement to produce the electronic assemblies for Baldwin Piano & Organ Co.'s new digital grand pianos.

Ensoniq is also poised to take advantage of new opportunities. As computer and game companies begin to expand the audio capabilities of their products, Ensoniq's new Semiconductor Products Group can supply the technology for all kinds of top-quality sound. And, again, it expects to beat its competitors on price.

Instead of trying to find untapped market niches, as many entrepreneurial companies do, Ensoniq goes after existing markets where technology is underutilized. That strategy is likely to mean less growth—but safer growth—than might be achieved if Ensoniq went into untapped markets, says Charpentier. He and his partners would be happy with sales of $100 million within five years.

Meanwhile, Bob Yannes has some new musical instruments he can play, and all three of the founders' fathers use—and are enthusiastic about—Sound Selectors. Charpentier does not have to wear a hearing aid for everyday use, but he says he's a good guinea pig for the company's hearing-aid division. As Crockett says, "His loss, our gain."

—Sharon Nelton

Selling In The New Europe

By Albert G. Holzinger

The New Europe:

EC Members	Applicants For Membership
Belgium	Austria
Denmark	Cyprus
France	Malta
Germany	Sweden
Greece	Turkey
Ireland	
Italy	
Luxembourg	
Netherlands	
Portugal	
Spain	
United Kingdom	

Xircom, Inc., targeted the European Community as a prime market even before the firm completed its first product two years ago.

The pocket-size adapters that Xircom manufactures in Calabasas, Calif., enable business people to quickly and easily connect the notebook computers they use on the road to their office computer networks. The popularity of portable computers in Western Europe signaled good sales opportunities for Xircom's connectors.

The company's foreign-market assessment was on target: Over 40 percent of its approximately $25 million in annual sales currently is outside the United States, mostly in the European Community.

Xircom projects even greater success there when the 12 EC nations complete their market-integration process, which is known as EC92 because the target completion date is Dec. 31, 1992. Among other results, this process will harmonize standards for products sold anywhere in the EC—including the power-supply units for Xircom's adapters. The firm must now package a different unit with its adapters depending on their destination in the EC, because technical standards and testing and certification requirements differ in each member nation.

Russell J. Dopson, Xircom's vice president for international operations, says his company could achieve significant savings if it could ship a single product to the united West European market.

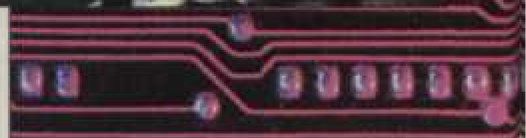
Unfortunately for Dopson and other U.S. exporters counting on unification of the European market, it appears almost certain that the EC nations will miss their end-of-1992 deadline.

The goal established for the end of next year is to remove restrictions on the movement of goods, services, people, and capital throughout a homogeneous market of some 340 million consumers, about half again as large as the U.S. market.

"Anybody who thinks that there is going to be a single, integrated European market on Jan. 1, 1993, is going to be sadly mistaken," says Willard A. Workman, vice president/international of the U.S. Chamber of Commerce. His staff closely monitors the integration process.

"There are going to be gaps [in the single-market program] for several years," agrees Francine C. Lamoriello, an expert on EC92 in the Washington, D.C., office of KPMG Peat Marwick, an international accounting and management-consulting firm.

Several major factors are contributing to the unwelcome transformation of EC92 into EC93, EC94, or perhaps even EC2000. These include the sheer magnitude of the market-unification process and the emerging debate on the related issues of monetary and political union.



Other major factors—unanticipated during the euphoria that marked progress toward integration in the late 1980s—are a period of slow economic growth in Europe and the historic redrawing of the map of Europe in the wake of the collapse of communism.

"In this post-Cold War period, the EC is increasingly being forced to take on tasks that it is structurally unqualified to achieve," says Workman. Chief among these is extending economic assistance to the newly democratic nations of Central and Eastern Europe and the former U.S.S.R. through a coordinated program of monetary and technical aid or through granting them full EC membership.

The expansion pressures on the community from its neighbors to the east and elsewhere have grown tremendously in recent months, diverting the attention of EC officials, commonly referred to as Eurocrats, from the single-market effort.

In late October, the seven geographically, economically, and politically diverse members of the European Free Trade Association further strengthened their economic ties to the EC, subject to endorsement by the legislatures of all 19

Rapid political change and slow economic growth signal new challenges for U.S. businesses.

The EC And Beyond

Countries That Say They Will Apply	Other Potential Applicants
Czechoslovakia	Bosnia-Hercegovina
Finland	Bulgaria
Hungary	Croatia
Norway	Estonia
Poland	Iceland
Switzerland	Latvia
	Liechtenstein
	Lithuania
	Moldavia
	Romania
	Slovenia
	Ukraine

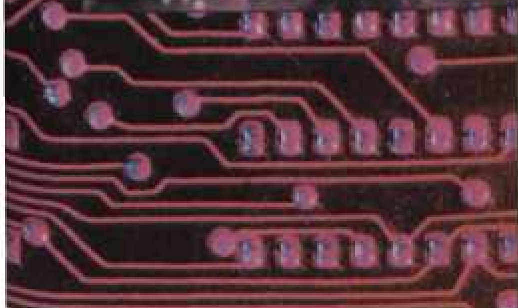


PHOTO: ©JEFF ZARUBA—THE STOCK MARKET

Construction materials, *computer components, and pharmaceuticals such as those at left and above are among the hot U.S. sales prospects in the EC, according to the Commerce Department. Others include aircraft and parts, housewares and consumer goods, home electronics products, medical equipment, and pollution-control equipment.*

nations involved. Following what could be a protracted approval process, the 40 million consumers of those seven nations—Austria, Finland, Iceland, Liechtenstein, Norway, Sweden, and Switzerland—will effectively be part of the EC market.

In addition, the applications for full political as well as economic EC membership of Austria, Cyprus, Malta, Sweden, and Turkey still are pending before community decision makers. Also, Czechoslovakia, Finland, Hungary, Norway, Poland, and Switzerland have said they likely will apply soon. And Bulgaria, Iceland, Liechtenstein, Romania, some of the former Soviet republics, plus the breakaway Yugoslav republics of Croatia, Slovenia, and Bosnia-Hercegovina, must be considered potential applicants in the foreseeable future.

Frans Andriessen, the EC's commissioner for external affairs, recently acknowledged that by the turn of the century, "we could end up with a community of 24 or even 30" nations.

These powerful forces propelling the EC92 process into overtime signal new challenges for U.S. businesses. The most direct and severe of these, should it materialize, would be the erection of barriers to exports and investments from non-European firms.

Two years ago, policy analysts dismissed the notion that protectionists would somehow pervert the EC's economic-integration program into a "Fortress Europe" effectively closed to goods produced outside its borders. But recent political indications stemming from the slowdown in the integration process have rekindled protectionist anxieties among many of these experts.

There currently is "an unmistakable trend" toward protectionism, says former U.S. Senate Minority Leader Howard H. Baker Jr., who served on the Senate Foreign Relations Committee and was White House chief of staff during the early years of the EC92 process. The Chamber's Workman agrees: "We very well may be seeing an inward turn toward Fortress Europe or, at least, movement toward a series of miniforts" constructed around some business sectors.

There also is awareness within the Bush administration that EC92 could take a protectionist twist, says Mary Saunders, director of the internal market staff in the U.S. Commerce Department's Office of EC Affairs. "There could easily be some backsliding," she says.

European leaders have been unsuccessful in assuaging American fears. To the contrary, Edith Cresson, the new prime minister of France, has made newspaper headlines repeatedly by directing menacing remarks toward several of her nation's trading partners—most notably Japan. And even Jacques Delors, president of the EC Commission and a key architect of the single-market program, not long ago uttered the cryptic pronouncement that "Europe will be open, but it will not be given away."

With a presidential election campaign on the horizon, the Bush administration

has every reason to be as deeply concerned as the U.S. business community about potential European protectionism. The rise in U.S. exports has been the highlight of the U.S. economy's otherwise dismal performance the past few years, and no consumers have greeted U.S. products more warmly during this period than West Europeans.

U.S. exporters had 1990 sales of $98.1 billion in the community, shattering the record set a year earlier by 13.5 percent. The U.S. trade balance with the EC was $6.1 billion in the black last year, compared with a 1988 deficit of $9.1 billion.

Looking to the future, a new survey of 5,000 U.S. companies by Dun & Bradstreet Corp., a business-service firm based in New York, found that 78 percent of companies that export send at least some products to the EC, and of those, 84 percent said they expect increased sales there in 1992.

With U.S. exports to Europe booming, are the analysts and American companies merely being paranoid about protectionism? A look at the community's motivation for undertaking the immensely complex and emotionally draining EC92 program suggests they are not.

The single-market concept has its roots in the 1958 Treaty of Rome signed by the six original community members—Belgium, France, Italy, Luxembourg, the Netherlands, and the former West Germany. The single-market concept was viewed as a means of achieving strong economic growth. A linchpin of the pact was the goal of abolishing internal tariffs and quotas before 1970. But even while members were pursuing that goal, they were protecting their weakest industries through nontariff barriers such as restrictive regulations and product standards, cumbersome border controls, and closed government-procurement policies. Consequently, economic unity and efficiency were advanced little.

In the ensuing decade, still more barriers were erected to extend protection to almost everything produced in Europe, from agricultural products to automobiles. Predictably, by the 1980s the EC's hallmarks were high unemployment, high inflation, and low economic growth.

The EC92 process that arose from those conditions represents Europe's all-out effort to become an economic superpower at the level of the U.S. and Japan. EC92 aims to provide the community's businesses with the tools they need to become globally competitive—not to make the EC a more inviting business destination for foreign firms.

A white paper adopted in 1985 by the European Commission, the EC institution most similar to the executive branch of the U.S. government, identified 282 specific internal regulatory barriers to achieving an efficient, unified market for its companies, which currently produce about $5 trillion a year in goods and services—about the same amount as U.S. companies and more than twice the total of companies in Japan. The historic Single Europe Act, effective two years later, established a process for tearing down those barriers by the end of 1992.

A study conducted by the commission in 1988, the so-called Cecchini report, found that the successful conclusion of the process ultimately would create 2 million to 5 million jobs, increase gross national product about 7 percent, and slash consumer prices by about 6 percent as European firms benefited from major efficiencies of scale and a far more enterprise-oriented environment.

A key provision of the 1987 statute allowed approval of deregulatory laws—the EC calls them directives—in most cases by a weighted-majority vote of member nations, which by that time had grown to 12 with the addition of Denmark, Greece, Ireland, Portugal, Spain, and the United Kingdom. Under this voting procedure, larger nations get more votes than smaller ones, with a majority of total votes needed for passage. Previously, every nation had veto power, which made approval of directives with teeth effectively impossible.

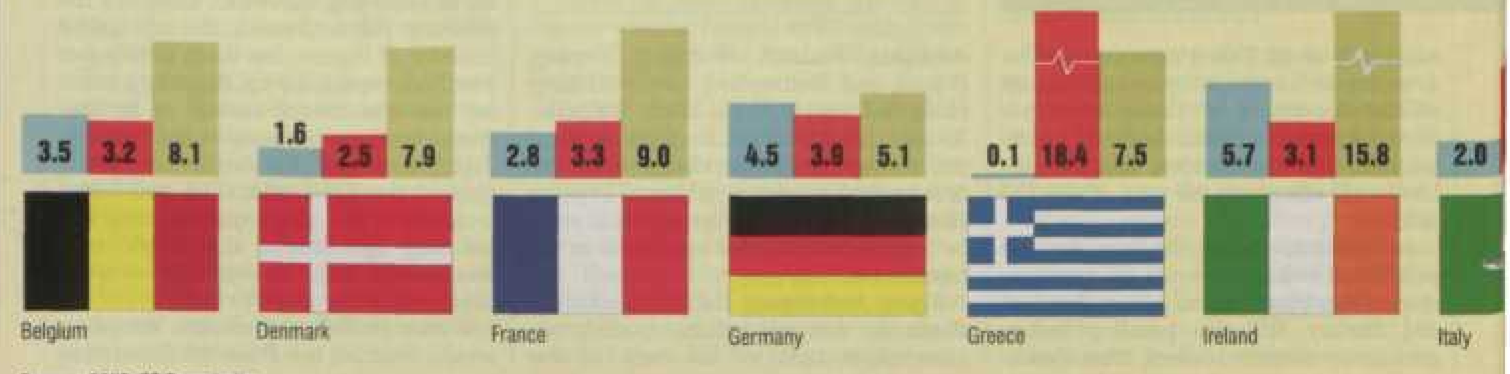
This voting provision and the excitement and enthusiasm evident at the outset of the integration process allowed

PHOTO: STORY TALBOT

Outside her manufacturing facility *in Waitsfield, Vt., Kay Henry paddles one of the craft that her firm, Mad River Canoe, exports to Europe.*

The EC's Economic Performance In 1990

All figures are percents.



Sources: OECD, EC Commission

the Council of Ministers, which approves EC legislation, to rapidly adopt the least controversial measures, including those providing for gradual deregulation of public procurement and transportation. By mid-1989, EC officials had finalized or were deciding upon almost 230 proposals.

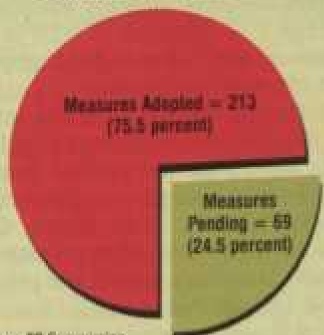
However, more than two years later, although all 282 deregulatory directives have been proposed by the commission, 69 of the most controversial remain stalled in the Council of Ministers. Moreover, only about one-fourth of the directives, which require subsequent implementing action by individual member nations, are fully in effect. Denmark has approved the most directives to date; Ireland and Italy, the least.

Toward A Single EC Market

A status report, through May 1991

The Single Europe Act of 1987 requires the European Council of Ministers to sweep away legislatively 282 barriers to a single EC market.

Council Of Ministers' Actions



Member-nations must take follow-up action on the 282 barriers. Here is each country's progress.

Member-Nation Legislatures' Actions

Belgium	89
Denmark	107
France	103
Germany	95
Greece	87
Ireland	74
Italy	52
Luxembourg	81
Netherlands	86
Portugal	96
Spain	83
United Kingdom	99

Source: EC Commission

The recently diminished pace toward completion of the EC92 program is in part the result of the declining energy of Eurocrats and member nations. Easy issues were undertaken early to enable participants to build confidence and momentum, but this strategy has left decision makers with a host of difficult, unresolved political challenges. Among them:

■ Unifying value-added taxes, which range from 12 percent in Luxembourg and Spain to 23 percent in Ireland. A value-added tax, or VAT, is a levy on the value of products at each stage of production and distribution.

■ Codifying workers' rights and reconciling benefits and average wage rates, which range from about $2.75 an hour in Portugal to more than $17.50 an hour in Germany. Contentious proposals in this arena include one that would require larger companies to create "workers' councils," which would have to be notified of strategic business decisions, such as plans to expand or drop product lines.

■ Eliminating inter-EC border controls and deciding related questions about tax collection and immigration.

The emergence of tough new competition for the attention of Eurocrats, in the form of debate of EC-wide monetary and political unions, also is contributing to a slowdown in the EC92 program.

In fact, European heads of state are scheduled to meet this month in the Netherlands to hammer out plans for attaining by mid-decade a coordinated monetary policy under a "EuroFed"—a central bank with powers similar to those of the U.S. Federal Reserve Board. Creation of this central bank is to be followed by adoption of a common currency.

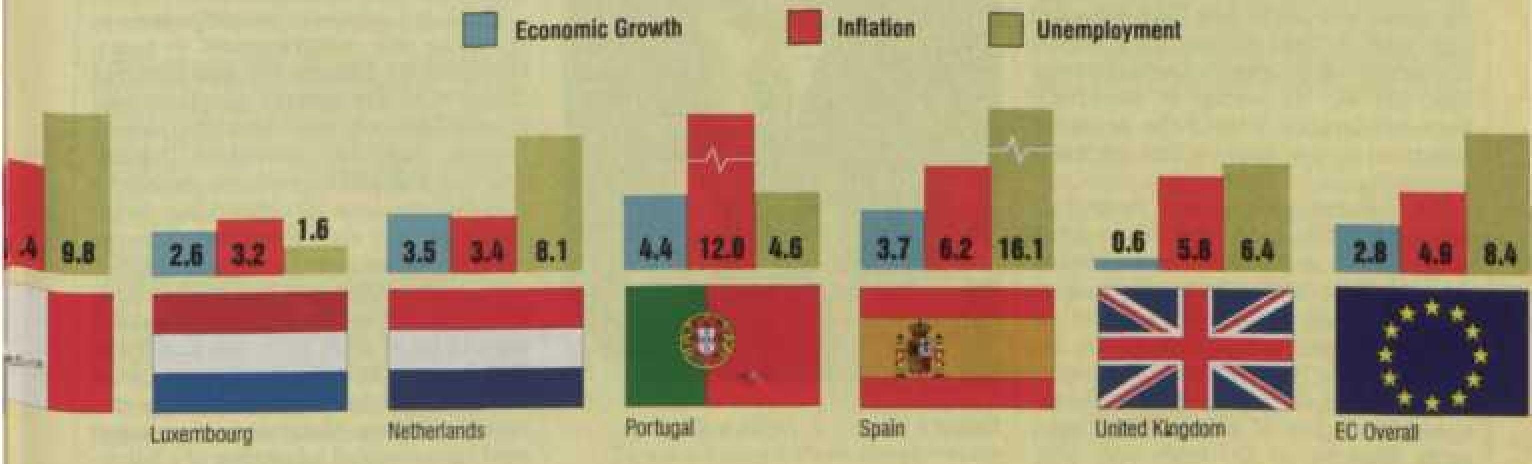
Also on the agenda for the meeting scheduled this month is a plan for strengthening the community's political institutions, with the goal of ensuring a common front on foreign policy and community-defense issues by the year 2000.

Like the talks that have preceded it, this and future meetings on these subjects are apt to be divisive. "The EC92 program is primarily a private-sector-led initiative that only nibbles at national sovereignty," points out John Yochelson, vice president of the Center for Strategic and International Studies, a research organization in Washington, D.C. Consensus on monetary and political unions will be "much trickier" to achieve, he says, because "they get to the real heart of what national sovereignty is all about."

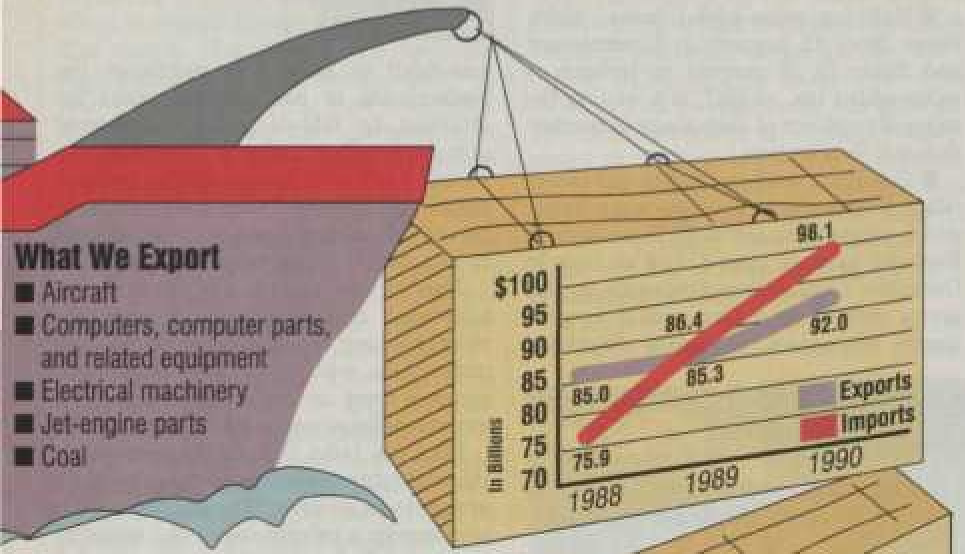
The width of the current division on monetary and fiscal issues is spotlighted by Germany's determination to keep nominal interest rates high to guard against an outbreak of inflation, even while its European neighbors clamor for lower rates to spark their economies. Likewise, the varied responses of EC member nations to the Persian Gulf crisis and the community's failure so far to mediate successfully the civil war in Yugoslavia are clear indicators of how much time and emotion the EC will have to devote to realizing stronger political unity.

The most significant factor slowing the EC92 process, however, is the enormous pressure on decision-making bodies of the community and its member nations stemming from the collapse of communism.

"The Europeans have done so much



A Snapshot Of U.S. Trade With The EC



Source: U.S. Department of Commerce

and have gotten so far that they were ready to start reaping the benefits of their [political] labor. But now they've had a whole new set of political . . . problems thrown at them," says Francine Lamoriello of KPMG Peat Marwick.

Before the toppling of the Berlin Wall in 1989 and reunification in October 1990, Germany's role in EC92 was no less than one of an economic engine, a force deemed powerful enough to lead the rest of the community's economies upward to the levels of the U.S. and Japan. But Germany is spending fully one-fourth of its budget now on repairing the infrastructure and environment of what was East Germany. "Germany still is the engine of Europe, but it is not nearly as strong as it had been," says Norbert Walter, chief economist of Deutsche Bank in Frankfurt.

The challenges to EC92 raised by German reunification have been magnified by the demands for attention made by the new market economies throughout Eastern Europe and the former Soviet Union. And the penalty for failing to address adequately the daunting economic needs of its less-affluent neighbors would be severe. Herbert S. Okun, U.S. ambassador to the former East Germany from 1980 to 1983, explains that despite its current 8.4 percent unemployment rate, the EC "is looking at potentially huge immigration flows if the economic situation in the East is not radically improved soon."

Yet internal politics are making it extremely difficult for the EC to react either quickly or decisively to problems to the east. For example, just as EC leaders were recognizing the independence of Estonia, Latvia, and Lithuania last fall and promising "to explore all avenues to assist them in their democratic and economic development," France was temporarily blocking an EC trade pact with Czechoslovakia, Hungary, and Poland. The powerful French farm lobby objected vehemently to a provision allowing a relatively small 500 tons of beef imports.

All of the factors impeding progress in the single-market program are magnified by the EC's current economic woes.

Xircom's *Russell J. Dopson displays power-supply units bound for the EC.*

The legacies of the Persian Gulf war were higher prices at the community's gas pumps and low consumer confidence and business investment. Consequently, economic growth throughout the EC, which averaged 3.2 percent during the upbeat period of 1988 to 1990, is expected to plummet to 1.4 percent this year. In addition, the unemployment rate, which had been declining since 1986, is expected to bounce up by a full point by the end of this year, to 9.4 percent.

"This economic slowdown in the EC," Workman explains, "has given protectionist forces a leg up by feeding the perception that, even with the remarkable [market-integration] progress of the last five years, EC companies and workers may never be able to compete with those of the Far East and elsewhere."

Yet, despite the substantial problems and doubts now clouding the future of the EC92 process, public- and private-sector experts continue to encourage U.S. business owners to voyage across the Atlantic to Europe in search of trade opportunities.

"For the majority of American companies, the change in Europe's political climate won't alter the positive business climate," says Valerio L. Giannini, of Eurosearch Partners, an Irvine, Calif., firm that helps U.S. entrepreneurs find European business partners and products that can be imported to the U.S.

"We still see tremendous business opportunities in all of Europe for U.S. businesses of all sizes," adds Susan C. Schwab, an assistant secretary of commerce and head of the Commerce Department's U.S. and Foreign Commercial Service.

Among the hot U.S. sales prospects identified by the Commerce Department are aircraft and aircraft parts, construction materials, computers and home electronics products, housewares and consumer goods, medical equipment and pharmaceuticals, pollution-control equipment, scientific instruments, sporting goods and fitness equipment, and telecommunications equipment.

The U.S. business community seems to be taking this encouragement to heart. For example, Xircom, the manufacturer of the computer-network adapters, continues to see only opportunity in the new Europe. Says Vice President Dopson: "We see computer products, especially those in the area of networking, being used more and more throughout Europe by other than computer professionals."

Another indicator of the upbeat attitude of Americans toward Europe was the attendance of more than 300 U.S. business people at a recent University of Tennessee conference on trade opportunities in Europe. (Interest in the conference has prompted scheduling of a follow-

How To Determine The Shape Of The New European Marketplace

Will the new Europe be receptive to goods produced by U.S. companies, or will it be protected somewhat from foreign competitors? Actions by EC decision makers in several key areas will answer this critical question. Following are the areas of EC activities you should watch in judging the impact of the EC92 process on your firm.

Product Standards, Testing, and Certification. Two of the most important aspects of EC92 are the harmonizing of technical and safety standards for products and establishing an EC-wide regimen for testing and certifying products.

Few aspects of the single-market program have as much potential for erecting barriers to foreign products. If U.S. producers are disadvantaged by the emerging EC standards or are impeded by testing or certification procedures from getting products approved for sale in the EC, the new Europe could be no market at all for U.S. firms.

The EC still has a long way to go in settling the standards issue. Joe Bhatia, vice president for external affairs at Underwriters Laboratories, Inc. (UL), a testing and certification organization based in Northbrook, Ill., says lack of progress in this area reflects the fact that "there's a heck of a lot to be done and not much time in which to do it." While he encourages U.S. firms to be vigilant in monitoring the development of standards, he concludes that the final standards process will not be discriminatory.

Trade Rules. Watch closely the EC's future trade rulings concerning its sensitive—but not particularly globally competitive—industries such as agriculture, aircraft, automobiles, computers, semiconductors, shipbuilding, steel, and textiles.

Protectionism could arise from local-content requirements, rules for determining the national origin of products, and anti-dumping rules.

This can be a complex and imprecise area of regulation. Take the recent agreement covering Japanese auto imports, for example. Under this deal, Japan will be allowed to gradually increase its automotive market share in Europe from the current 11 percent to 16 percent by the year 2000. But the pact includes only indirect references to counting Japanese cars made in European plants and no references at all to cars made in Japan's plants in the U.S. and elsewhere and exported to Europe.

Restrictive Language. Every EC directive and implementing measure is a potential vehicle for restrictive language that discriminates against foreign firms. Unfortunately, this means that every legislative action by the EC must be monitored for its potential impact on your business.

For example, a "Buy Europe" provision in one of the EC's public-procurement measures could possibly limit non-EC firms' access to the lucrative public-procurement markets for telecommunications, energy-production, and water-control equipment.

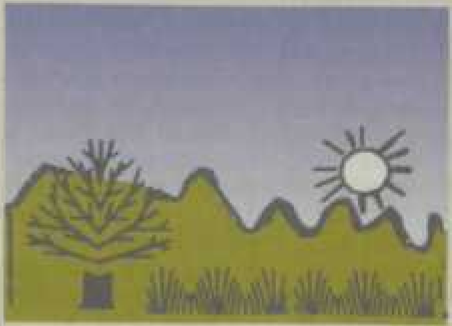
And a recent study by the New York Bar Association found that the EC's directives on legal services and recognition of diplomas discriminate against non-EC lawyers.

"The large numbers of American lawyers already practicing in the EC member states and those who want to in the future face discriminatory limits in their ability to serve their clients," says Mark H. Alcott, chairman of the bar association subgroup that prepared the report.

He says that because of discriminatory limits, for example, U.S. lawyers would have to complete degree requirements and possibly receive practical training in each country where they seek admission to the bar.

State Subsidies, Antitrust Policy, and Industrial Policy. These three instruments—especially in combination—can be potent sources of mischief and trade rancor. The EC's new mergers-and-acquisitions rules, for example, require deals involving foreign firms that simply sell products in the EC to be reviewed by European decision makers to determine whether they "are compatible with the Common Market."

The U.S. and the EC have been quarreling for years about the fairness of the community's subsidy of the aerospace consortium Airbus Industrie. And Europe's massive agricultural subsidies under the so-called Common Agricultural Policy remain one of the biggest stumbling blocks to successfully concluding the current round of multilateral trade negotiations under the auspices of the General Agreement on Tariffs and Trade (GATT).



Environmental Standards. Environmentalists will weigh in heavily in the EC decision-making process before EC92 is concluded. Environmental labeling requirements, taxes related to the volume of pollution produced, emissions standards, packaging and recycling requirements, and other environmental regulations can be employed as trade barriers. At the very least, environmental requirements can discourage involvement in the European marketplace.

up, April 26-29. For details, write the University of Tennessee Conference Center, P.O. Box 2648, Knoxville, Tenn. 37901.)

The interest in EC92 seems especially strong among smaller firms that are new to international trade. "A lot of small American companies have realized that only by exporting to Europe can they guarantee their competitiveness in their home market," explains the Commerce Department's Schwab, one of the keynote speakers at the Tennessee conference.

Small firms may be better able than larger ones to meet challenges presented by unsettled conditions in the new European marketplace, says David McKinney, president of giant IBM Europe. "Size is not always an advantage," he observes. "We sometimes find ourselves too big, too bureaucratic, and too slow to respond" effectively to change.

But even if you have no intention or desire to grow your company to anything approaching the size of IBM, you may be well advised to follow its early strategy in Europe. "I think a lot of U.S. firms, especially smaller companies, should give a lot of thought to shopping for a partner in Europe" who knows the laws, the business customs, and the languages, advises former Sen. Baker, who now practices law in Knoxville, Tenn.

Xircom initially sold its products in Europe through distributors. Only recently did the firm create a subsidiary in Antwerp, Belgium, to strengthen its presence close to its EC customer base.

Mad River Canoe, of Waitsfield, Vt., sells a smaller percentage of its production—about 10 percent of its $5 million annual sales—in Europe than Xircom does, but that does not diminish the importance of the European market for the company. Because of the time it takes to ship products across the Atlantic and distribute them overseas, "we receive many European orders in December and January, which are slow sales months for canoes in the U.S.," says Kay Henry, president of the 50-employee firm. "That really helps our cash flow."

Mad River has been exporting its canoes with signature wood gunwales and cane seats to Europe for only a couple of years. And, like Xircom, it is operating through a series of distributors. Mad River found these distributors merely by buttonholing Europeans attending industry trade shows in the U.S. "Assembling the right distributors is the hardest part of achieving success," says Henry. "At first, you pick the most aggressive ones and hope."

Eurosearch Partners' Giannini recommends that when you're looking for partners in Europe, watch for potential imports as well—products that could boost your domestic business.

But do not be misled: The continued interest in the European market is not confined to small and midsized firms such as Mad River and Xircom. Big companies also continue to expand to Europe. They are driven in part, says the Commerce Department's Schwab, by a desire to "get within the walls if, indeed, walls are going to be built."

Tandy Corp., of Fort Worth, Texas, recently opened a $4.6 million manufacturing and repair facility in East Kilbride, Scotland. Tandy will manufacture computers bearing the Victor label there. Victor Technologies, an old-line European maker of business machines, was acquired by Tandy in 1989, largely because Victor had in place about 2,700 dealers and distributors in 11 EC nations. Those outlets now sell the Tandy and Grid lines of computers as well as Victor products.

Tandy's capital investment in Europe had two primary motivations, says Lowell Duncan Jr., vice president of marketing. First, he says, "we fully expect that, over a period of time, Europe will become a very significant place in the computer and high-tech areas. As a world player, you have to be present there." Second, he notes, there was "some real concern" about protectionism. "There was some thinking that if you didn't have some foothold in Europe [before the completion of EC92], you could be shut out later."

The compelling reason for American firms—small, midsized, or large—to continue exploring business possibilities in the new Europe is summarized by Dr. Charles A. Sanders, chief executive officer of Glaxo, Inc., a multinational pharmaceutical manufacturer with U.S. headquarters in Raleigh, N.C.

"No matter whether one unified 'nation' or 12 or more," Sanders says, "Europe is too large a market to ignore. And remember, no business can hope to prosper there if it waits until next Dec. 31 to start [pursuing opportunities.] The time to branch out is now." NB

To order reprints of this article, see Page 59.

For More EC92 Information

Even if the EC92 process plays out in the best possible way for U.S. business, careful research will remain a prerequisite to selling successfully in what seems certain to remain a complex and fast-changing marketplace.

"Before getting carried away with visions of 340 million affluent consumers in one market, it is important to remember that although [Europe's] internal market is called the 'single market,' it is no more a single market than New York City and Birmingham, Ala., are a single market," notes Steven K. Weinberg, an attorney with Kronish, Lieb, Weiner & Hellman, a New York-based international law firm.

"Because of different languages and currencies, you have to maintain contact with people in every European country" to which you want to export, says Kay Henry, president of Mad River Canoe, which exports throughout the EC.

Fortunately, an abundance of reliable information is available on EC92 to help you sort through the opportunities and challenges that such differences present.

Private-sector help is widely available. Many useful and relatively inexpensive guides to doing business not only in the EC but also in Central and Eastern Europe have been published by the international division of the U.S. Chamber of Commerce.

Of special interest is the Chamber's new *EC 1992: A Practical Guide for American Business, Update #3*, for $21. For a complete list of the publications available, call (202) 463-5460.

KPMG Peat Marwick is among the highly visible consulting firms whose representatives seem extremely knowledgeable on this issue. For a list of the firm's publications and services, call Patricia E. Neil, (212) 909-5454.

U.S. government assistance is available at minimal cost. *Europe 1992: A Business Guide to U.S. Government Resources*, provides a clear road map to the substantial resources that several agencies have devoted to tracking EC92. To obtain this State Department publication, which costs $1, call (202) 783-3238.

However, you may be able to get all the government-supplied information you need (including a quarterly newsletter) by calling the Department of Commerce's Single Internal Market: 1992 Information Service at (202) 377-5276.

If you need more general information on exporting and export services, not necessarily related to the EC, call the U.S. government's new interagency Trade Information Center, 1-800-USA-TRADE.

To get the EC's spin on actions and opportunities, call the European Community Information Center in Washington, D.C., at (202) 862-9500.

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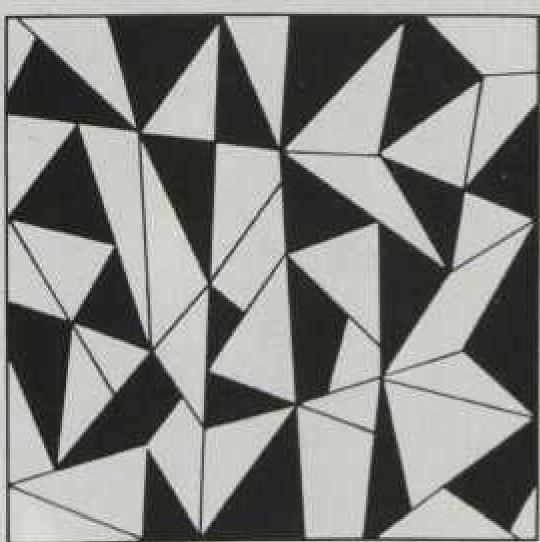

Can you find a perfect star in the pattern above?

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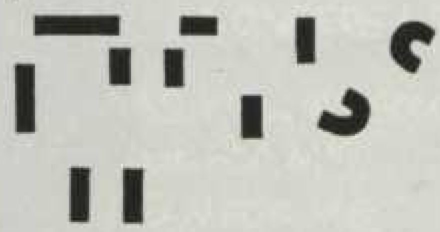

Can you make anything out of this?

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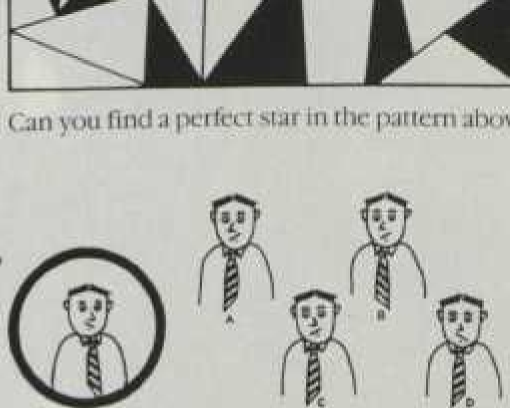

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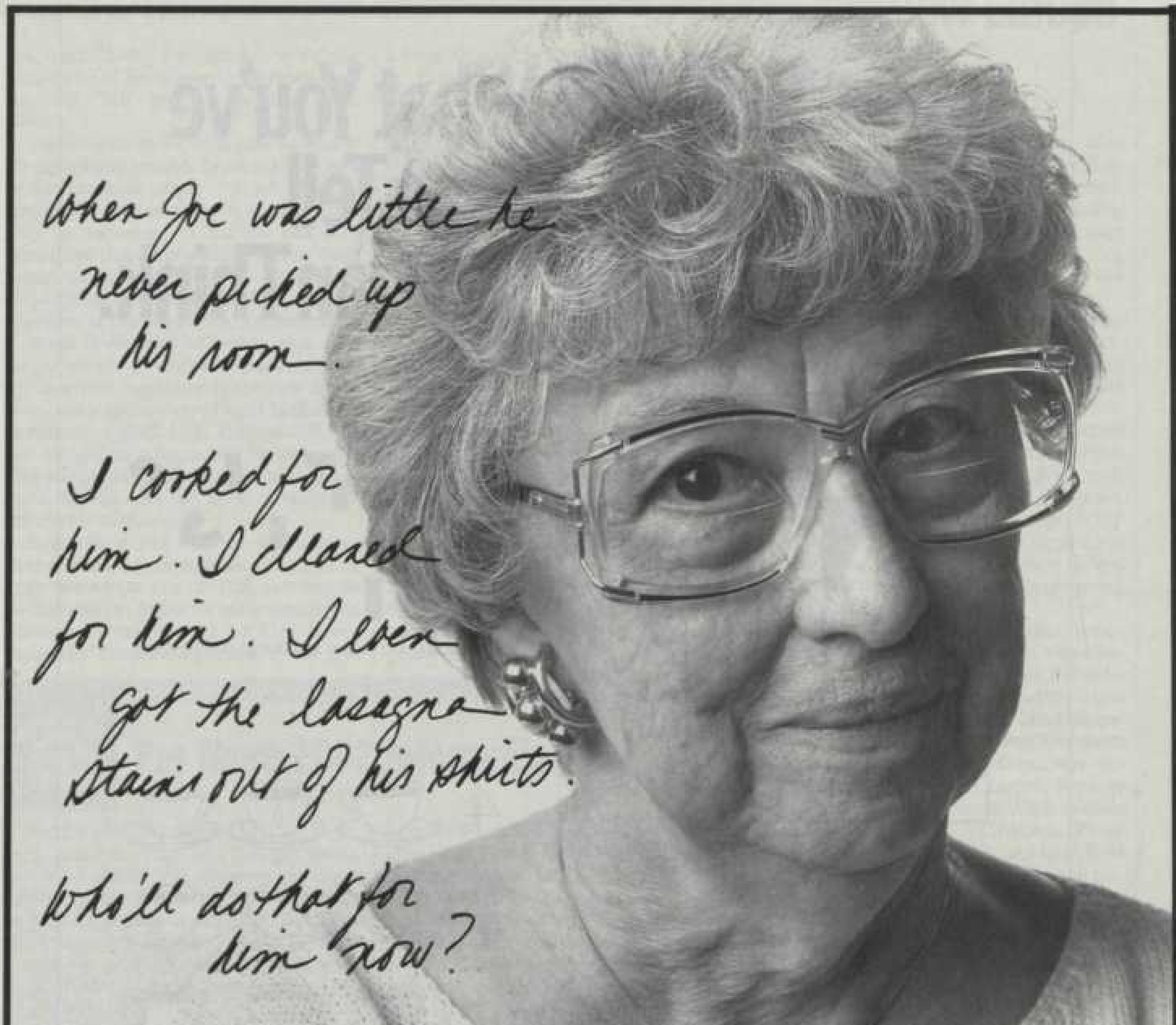

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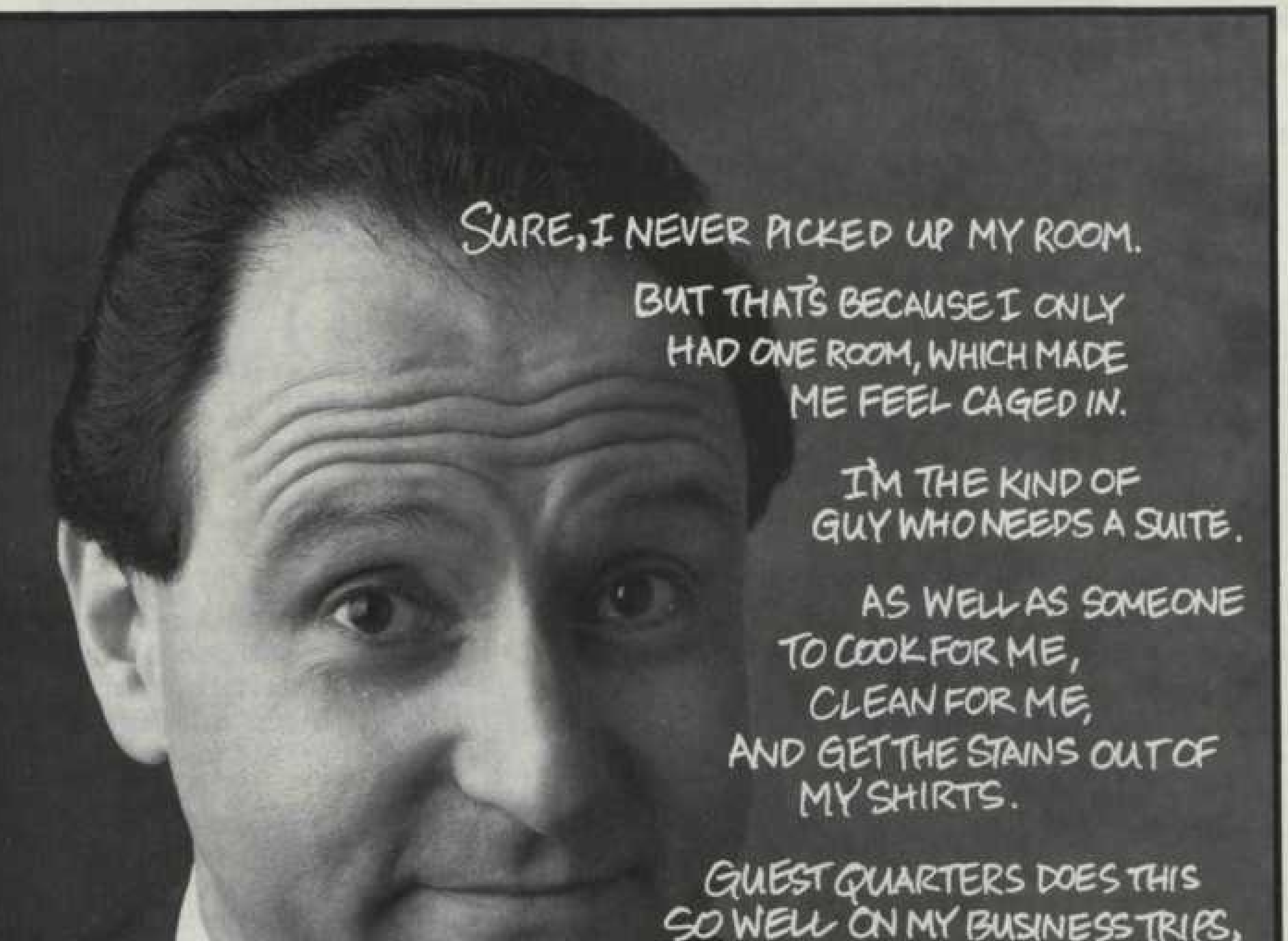

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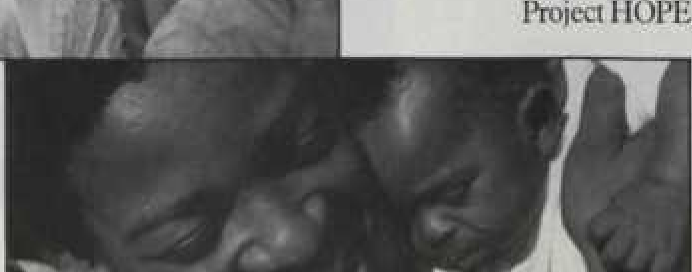

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LA/E4

REGULATION

Ways To Make Safety Work

Why setting up a company safety program makes sense, and how it can cut your costs.

By David Warner

The federal health and safety inspector was waiting for Jerry Grigsby, president of Arkady Industries of Malvern, Ark., when Grigsby emerged from a company meeting one day earlier this year.

It seems that several safety concerns about his garment-finishing firm had been raised with the U.S. Occupational Safety and Health Administration office in Little Rock.

Fortunately, Grigsby was ready for his OSHA inspection. His 130-employee firm had made workplace safety one of its top priorities. In fact, Grigsby was attending a meeting on safety matters when the inspector arrived at the plant.

Grigsby says the company has taken steps to be sure it is "in compliance with health and safety regulations. It cost us money, but it didn't cost us as much as it would have cost us in fines."

OSHA, part of the U.S. Department of Labor, is the federal agency charged with developing and enforcing the nation's job-safety and health standards. It enforces those standards through workplace inspections.

The OSHA inspector in Arkansas made a thorough check of the Arkady plant, which prewashes and "stone washes" denim clothing. He dismissed six of the seven complaints against the company and praised the firm's attention to worker safety.

"I think our attitude had a lot to do with [the positive inspection]," Grigsby says. "Our attitude has been to create a workplace that is safe. We keep the safety issue in front of everybody."

Workplace injuries and illnesses are part of doing business, though. There were more than 6.5 million occupational injuries and illnesses among nearly 79 million workers in the private sector in 1989, the latest year for which data are available, according to the Labor Department's Bureau of Labor Statistics.

Although preventing occupational injuries and illnesses is of primary concern to most employers, meeting the myriad federal and state workplace safety and health regulations can be an onerous task. One citation Arkady received—which was separate from the seven complaints—was for failing to provide periodic hearing tests for employees who worked with or near noisy machinery. The workers, as required by OSHA, were provided with ear protection.

Says Grigsby: "We just didn't know that we were required to give those hearing tests."

As the number of safety standards increases, small companies are having trouble identifying the often obscure rules with which they must comply.

PHOTO: SWEASLEY HITT

Arkady Industries' *President Jerry Grigsby, left, and Herman Grayer, right, check worker Kenneth Buckner's safety equipment.*

Moreover, a number of areas for future compliance are only beginning to emerge. They include stress-related disorders, repetitive-motion injuries, and ailments related to ergonomics—the adjustment of the worker to the work environment. Several local jurisdictions around the country, for example, have passed standards for workers using video display terminals, including requirements related to the height of the chair and the angle of the VDT screen.

Says OSHA Administrator Gerard Scannell: "Some [employers] may not even know what OSHA is. They may not have the [OSHA] poster that they're supposed to have; they may not know how to record injuries and illnesses."

Companies with 11 or more workers are subject to routine OSHA inspections. Most businesses with fewer than 11 workers are exempt from such inspections, but they can be investigated—as can larger firms—if an employee files a complaint, if an incident results in five or more employees being hospitalized, or if a workplace death occurs. High-hazard industries, such as manufacturing firms, chemical companies, and construction companies, are subject to inspections regardless of the number of employees.

Even for companies not subject to inspections, it is a good idea to have a workplace safety and health program and to comply with OSHA standards, says Stephen Yohay, a partner with Jones, Day, Reavis & Pogue, a law firm based in Washington, D.C.

There are several sources to which employers can turn for help in meeting safety and health standards. The best source may be OSHA itself. The agency offers a number of free publications on complying with various workplace standards.

For example, *Hazard Communication Guidelines for Compliance* describes the requirement that all companies educate workers about hazardous materials in their workplace and keep detailed records of such materials.

OSHA also has a free on-site consultation program primarily for small, high-hazard industries. Conducted through state agencies and universities, the program includes an evaluation of a firm's mechanical and physical work practices, potential environmental hazards, and the company's job-safety and health program.

The independent safety and health consultant presents his or her findings and recommendations to the employer, who must agree to correct serious workplace hazards. No citations are issued, and violations are not forwarded to OSHA enforcement officials as long as problems are corrected.

Insurance companies make up another resource. "Most [insurance firms] have very large safety and health or loss-control departments with ... inspectors and engineers," says Ken Hatcher of the

American Insurance Association, in Washington. He says workers' compensation and property insurers will conduct—often for free—safety audits for their clients. "It's in [the insurer's] best interest," Hatcher says, pointing out that the insurance company is less likely to have to pay out large claims to businesses that have safe work environments.

The state fire marshal's office or, in some instances, the local fire department can conduct inspections for possible fire-code violations. And some local chambers of commerce and industry or trade associations can provide workplace safety and health information.

A safety poster *designed by Arkady employees.*

According to Administrator Scannell, OSHA's consultation program and a new initiative under way in Georgia represent the agency's commitment to helping small companies comply with OSHA regulations. In Project Safe Georgia, OSHA and representatives of the insurance industry are educating Georgia's small businesses about workplace safety, safety and health legislation, and new standards.

"Employers shouldn't think that we're out to get them, because we're not," Scannell says. "We truly are there to help people."

Tod Foley, business liaison for OSHA, says, "The ultimate goal is certainly not to overregulate or burden the small-business community, it's to improve safety."

If Project Safe Georgia is successful, says Foley, similar programs will be implemented in other states. He adds that the agency is putting together a small-business task force, which will include a representative of the U.S. Chamber of Commerce, to reflect small businesses' views on OSHA policies and programs.

Although OSHA and its 23 federally approved state affiliates have expressed a desire to cooperate with small business to ensure safe and healthful workplaces, they are under increasing pressure from Congress and the public to crack down on OSHA violators.

The fines for violations can be stiff. Last year, Congress increased OSHA penalties sevenfold. Willful violations—those that the employer intentionally and knowingly commits—carry a penalty of up to $70,000 for each offense. If a death occurs because of a willful violation, the offense is punishable by a court-imposed fine, or a six-month prison sentence, or both.

Fines of $7,000 per offense are mandatory for serious violations—defined as offenses where there is substantial probability of death or serious physical harm to a worker.

For violations deemed less than serious, fines of up to $7,000 per violation can be levied.

All OSHA fines may be appealed and also may be reduced based on a company's size and history of previous violations. Reductions in serious and less-than-serious violations also are based on a firm's "good-faith" efforts to comply with OSHA standards. Having a health and safety program is an example of a good-faith effort.

Although employers may know the OSHA standards that apply to their particular industries, they often overlook the more fundamental health and safety rules.

Here are some necessities for ensuring a safe workplace:

Management Commitment To Safety. Without commitment from the

Cutting Costs Through Safety

While employers should meet job-site health and safety standards to avoid penalties applied by the U.S. Occupational Safety and Health Administration (OSHA), there are other reasons to ensure a safe and healthful workplace.

M.B. Kahn Construction Co., of Columbia, S.C., saw its workers' compensation premiums soar to $500,000 a year in 1988 following several years of disappointing safety records. In 1985, the company recorded 69 job-site injuries among its 200 employees, who worked 373,000 employee-hours that year.

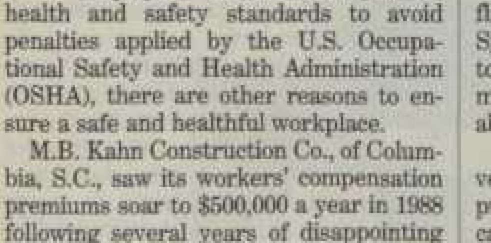

PHOTO: T. MICHAEL KEZA

Robert Synnett, *right, vice president of Kahn Construction, directs safety programs.*

"Our insurance premium had gone just flat through the roof," says Robert Synnett, vice president and safety director, and Kahn Construction made a commitment to safety. "We just got serious" about preventing accidents," he says.

Supervisors were issued accident-prevention manuals, and the firm began publishing a quarterly newsletter dedicated to safety issues. Job sites are now inspected weekly, and bonuses are awarded for exemplary safety records. The company's accident rate and workers' compensation costs have declined steadily since the safety program began, says Synnett.

Through the first nine months of 1991, the company recorded just 52 injuries among its 500 employees, who have worked nearly 900,000 employee-hours—a vast improvement over its 1985 injury rate. Moreover, the firm has saved $500,000 in insurance premiums the past two years.

Kahn is now on its way to setting new industry safety standards. The year ending last June 30 was the company's safest on record in its 63 years of operation, according to Synnett. In fact, because of its success in overcoming its safety problems, the company was designated a Blue Chip Enterprise by the Connecticut Mutual Life Insurance Co. and *Nation's Business* magazine.

The Blue Chip Enterprise program is designed to help small businesses become more competitive. It identifies enterprises that were particularly innovative and resourceful in solving problems, and it makes those case histories available to all small businesses.

PHOTO: T. MICHAEL KEZA

Words of warning *at a job site.*

Ensuring a safe and healthful work environment not only can cut costs but also can increase productivity.

The National Safety Council says occupational accidents and deaths cost employers, employees, and the nation altogether $63.8 billion in 1990. Private-sector employees lost 60 million workdays in 1989 as a result of workplace injuries and illnesses, according to the Bureau of Labor Statistics.

But for companies such as Kahn Construction, making "safety first" means much more than saving money and increasing productivity. "We have a moral responsibility for the health and safety of our workers," says Synnett. "That's the bottom line."

top, your safety program will likely fail, says Robert Synnett, safety director for M.B. Kahn Construction Co. of Columbia, S.C. After implementing a safety program that involved all employees, the company saw its accidents and insurance rates decline. (See "Cutting Costs Through Safety," on Page 26.)

Communication. Management's commitment and its expectations of employees on workplace safety must be communicated to workers, says Arkady Industries' Grigsby. OSHA requires companies with 11 or more workers to display an OSHA job-safety and health poster, which informs employees of their rights and responsibilities under the Occupational Safety and Health Act.

Copies of all OSHA citations for violations must be posted at or near the location of any violation for three days or until the violation is corrected, whichever is longer. And a yearly summary of injuries and illnesses must be posted each Feb. 1 for one month.

Safety Audits. Companies should conduct their own safety checks or ask their workers' compensation or property insurer to help identify existing and potential safety and health violations.

Another option is OSHA's consultation program, which includes a free on-site inspection.

When doing a self-audit, employers should use a "what-if" exercise to identify, for example, the 10 worst accidents that could occur in the workplace and the steps necessary to avoid them or deal with them, says lawyer Yohay.

In physical workplace inspections, areas of basic concern include fire safety, personal-protection equipment, electrical safety, basic housekeeping, and machine guards.

Questions employers should ask themselves include the following:

Are there adequate exits and working fire extinguishers?

Are there any frayed wires or overloaded circuits? Can power be shut off quickly?

Are employees using safety glasses, hard hats, or other protective gear? Are they using such items properly? Are there safety devices for machinery?

Are there guard rails or floor mats where needed to protect against slipping and falling?

Are aisles and exits clear?

Safety And Health Training. All employers should have some type of job-safety and health program, according to Yohay and other experts, and all employees should take part. OSHA, its independent consultants, or your insurance company's loss-control department can help you set up such programs.

Record Keeping. Employers should keep up-to-date and accurate records of occupational injuries and illnesses. Companies with 11 or more employees are required to maintain OSHA forms 200 and 101, which, respectively, are for summaries and detailed descriptions of each workplace injury or illness.

PHOTO: T. MICHAEL KEZA

Attention to safety *helped Kahn Construction cut costs.*

For information on specific OSHA standards, employers can consult their trade or industry association, insurance company, or the OSHA regional office in their area.

Some of OSHA's publications on standards are free. The agency also sells—for nominal prices—digests of the federal safety and health standards that apply to the construction industry and other industries.

The publication *All About OSHA* provides an overview of the agency, its programs, record-keeping and reporting requirements, penalty structure, inspections, and employer and employee rights and responsibilities under the job-safety and health law. It also lists telephone numbers for each state consultation program and for all OSHA regional offices.

Other OSHA publications include *Employer Rights and Responsibilities and Courses of Action Following an OSHA Inspection* and *How to Prepare for Workplace Emergencies.*

A list of OSHA publications and audiovisual materials can be obtained by sending a self-addressed mailing label to the U.S. Department of Labor-OSHA, Publications Office, Room N3101, 200 Constitution Ave., N.W., Washington, D.C. 20210. NB

To order reprints of this article, see Page 59.

How To Deal With Sexual Harassment

Many employers' sexual-harassment views are outdated. Here are guidelines for creating a clear company policy.

By Robert T. Gray

Few workplace issues ever seized national attention as forcefully as did sexual harassment this past fall.

In varying degrees, employers and employees became more aware of both the issue itself and of the responsibilities that relevant laws put on them for compliance.

The official proceedings at which sexual harassment gained this unprecedented visibility concluded many weeks ago. Clarence Thomas has now heard his first cases as a justice of the U.S. Supreme Court. Prof. Anita Hill, whose charges of sexual harassment against Thomas were rejected by the U.S. Senate in its vote to confirm him, is back in her law-school classes. But the impact of their clash will be felt by companies far into the future.

Employers with policies for dealing with sexual harassment are reviewing their adequacy, and those without them are urgently seeking legal advice on how to develop and implement such policies.

Many are learning in the process that their long-held views of what constitutes sexual harassment are woefully out of date in today's legal and cultural climate.

The best way to put this complex issue into focus is to consider it in the logical sequence of past, present, and future.

A look at the past shows that, despite its explosion into the national consciousness over a few days in October, sexual harassment evolved as a workplace issue over the past quarter-century. The legal prohibitions against such harassment originate in the federal Civil Rights Act of 1964, which applies to companies with more than 15 employees, and in state civil-rights and fair-employment laws that have differing applications in terms of company size.

A company policy *on sexual harassment should state that it will not be tolerated; it also should establish a complaint procedure and training programs.*

Sexual harassment as perceived today was not initially a target of those laws, which were generally aimed at preventing discrimination on the basis of race, sex, color, religion, ethnic origins, and other factors. To the extent that anti-discrimination laws applied to the workplace, they were invoked mostly in regard to hiring, firing, and promotions.

"Under federal and most state laws, sexual harassment is explicitly prohibited," explains Stephen Bokat, vice president and general counsel of the U.S. Chamber of Commerce. "The statutes generally do not say, 'Thou shalt not sexually harass.' The prohibition on sexual harassment arises from the prohibition of discrimination based on someone's sex. If you sexually harass a female or male member of your staff, presumably you are doing so because of their sex—because they are male or female."

The law's view of such discrimination as "disparate treatment" brought sexual harassment under the same prohibitions that apply to other forms of discrimination. As that recognition developed, the behavior most often challenged under the law was "quid-pro-quo harassment." This occurs when a supervisor demands sexual favors from an employee in exchange for economic considerations such as a promotion, a raise, or continued employment.

The definition of what is and isn't permissible underwent a major expansion in a landmark case decided by the U.S. Supreme Court in 1986. That court recognized what is known as "hostile-environment harassment"—any on-the-job sexually oriented activity that creates a hostile or offensive working environment but does not involve economic factors.

That decision remains the Supreme Court's most significant pronouncement to date on sexual harassment because it created the framework in which employers must address this issue today.

The official definition of sexual harassment under relevant laws and court decisions is summed up this way by the Equal Employment Opportunity Commission (EEOC):

"Unwelcome sexual advances, requests for sexual favors, and other verbal or physical contact of a sexual nature constitute sexual harassment when:

"1. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment.

"2. Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individuals.

"3. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment."

How can a company avoid problems stemming from actual or alleged sexual harassment in its work force?

Bokat recommends establishment of a formal policy that:

■ States clearly that sexual harass-

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ment will not be tolerated in the workplace;

■ Sets up procedures for dealing internally with complaints promptly, thoroughly, and fairly;

■ Provides for training programs to ensure that all employees understand what constitutes sexual harassment and the employer's plans for dealing with it.

Bokat also recommends that the policy make provision for lodging complaints with someone other than an immediate supervisor in the event that supervisor is the alleged harasser. And female employees should be able to file complaints with another female if that makes them feel more comfortable, Bokat adds.

"If every employer in America has a program like that—and many already do—employees will feel assured that their complaints will be taken seriously and resolved quickly," Bokat says. He adds that the policy should cover all employees "because men can be harassed also."

Bokat's recommendation for a prompt response to complaints of sexual harassment is underscored by EEOC guidelines on employer accountability in such cases:

"With respect to conduct between fellow employees, an employer is responsible for acts of sexual harassment in the workplace where the employer (or its agents or supervisory employees) knows or should have known of the conduct, unless it can show that it took immediate and appropriate corrective action."

In determining whether an employer is liable, courts will go beyond the question of whether an anti-harassment policy is in place and will evaluate a company's overall response.

The commission cited a case in which an employee had complained to management that a co-worker had talked to her about sexual activities and touched her in an offensive manner. "Within four days of receiving this information," the commission said, "the employer investigated the charges, reprimanded the guilty employee, placed him on probation, and warned him that further misconduct would result in discharge."

A second co-worker who had witnessed the harassment was also reprimanded for not intervening on the victim's behalf or reporting the conduct.

The court ruled that the employer's response constituted immediate and appropriate action, and the employer was not liable.

Another case that reached the courts contrasted sharply with that approach. In this one, the EEOC noted, "co-workers harassed the plaintiff over . . . nearly four years in a manner the court described as 'malevolent' and 'outrageous.'

"Despite the plaintiff's numerous complaints, her supervisor took no remedial action other than to hold occasional meetings at which he reminded employees of the company's policy against offensive conduct."

But it wasn't until the employee filed a complaint with the EEOC that the company acted, firing one of the co-workers and suspending three others. The court held the employer liable for failing to take immediate and appropriate corrective action.

Bokat recognizes that immediate action may be difficult when an employer is faced with an unsubstantiated accusation on one side and a categorical denial on the other. In such cases, he says, it is important to realize that "these things tend not to occur in isolation. If there has been harassment, often someone else has seen or heard the conduct or speech involved or there will be repetitions that will indicate a pattern."

Employers should also realize that they can be accountable for harassment of their workers by nonemployees, such as outside vendors, if management is aware of any such conduct. The condition that the employer "should have known" does not apply to situations involving nonemployees, however.


PHOTO: MICHAEL KELLER—UNIPHOTO

"**Conduct** *that many men consider unobjectionable may offend women.*"

On the question of filing complaints, Corning Inc., the glass and housewares company based in Corning, N.Y., advises managers and supervisors who receive sexual-harassment complaints: "Generally, you need not and should not express an opinion about the merits of the complaint at that point."

The next steps, the company guidelines say, include involving a third party, such as a personnel official, to conduct an investigation that will include interviews with the accuser, the accused, and persons identified as having information supporting the complaint, and a determination of what action to take on the complaint.

The guidelines note: "In order to properly and objectively investigate a complaint of harassment, it is almost always necessary to disclose to the accused person (and to other witnesses) the identity of the complainant. If the complainant does not want his or her name to be disclosed, there may be no formal action that can be taken by the company. . . . If that is the case, the complainant should be told so and be given an opportunity to reconsider."

As employers develop the various approaches to identifying and dealing with sexual harassment under today's rules, they must also be ready for changes already on the horizon. One is in the perception of harassers who have frequently defended their actions as normal and harmless where men and women work together. But the conduct of male supervisors who harass female subordinates is coming under increasing scrutiny that views such conduct in a light that employers might well have to consider in evaluating such supervisors.

"What's often behind such harassment is not sex but power," says Diane Large, vice president of personnel at the U.S. Chamber of Commerce. "Supervisors may misuse their positions to manipulate people, to take advantage of people who don't talk back. It's a way of showing that they can get what they want. The harassment might be a way of taking advantage of women or just keeping them 'in their place.' It doesn't matter what the motivation is, it's a misuse of authority, authority that has been delegated by an employer, and that employer needs to know how it's being used."

Large says that companies should seek to instill in employees the realization that they are not powerless in the face of harassment and that they have avenues for relief.

While employers must consider such changing perceptions as the possible abuse of power within their work forces, they must also be ready for the impact of further developments that have occurred on the legal front.

In a key decision earlier this year, the U.S. Court of Appeals for the Ninth Circuit, covering the western states, held that a determination of whether challenged actions or speech constituted sexual harassment should be based on how a "reasonable woman" perceived it. The standard had been a reasonable person. In a decision upholding a claim of sexual harassment, that court declared:

"A female plaintiff states a prima facie case of hostile-environment sexual har-

assment when she alleges conduct which a reasonable woman would consider sufficiently severe or pervasive to alter the conditions of employment and create an abusive working environment."

Explaining that decision, the appellate court said:

"A complete understanding of the victim's view requires, among other things, an analysis of the different perspectives of men and women. Conduct that many men consider unobjectionable may offend many women.

"We realize that there is a broad range of viewpoints among women as a group, but we believe that many women share common concerns which men do not necessarily share.

"For example, because women are disproportionately victims of rape and sexual assault, women have a stronger incentive to be concerned with sexual behavior. . . . Men, who are rarely victims of sexual assault, may view sexual conduct in a vacuum without a full appreciation of the social setting or the underlying threat of violence that a woman may perceive."

While that decision is now binding only on the courts within the Ninth Circuit, Bokat says, "it is an indication of where the courts are going." He expects that other courts will eventually adopt the same approach, moving the reasonable-woman standard toward nationwide application.

A U.S. District Court in Florida has adapted that standard in another case.

One result, Bokat says, will be "tougher standards for business and the likelihood that more allegations of sexual harassment will be upheld."

All the signs point to sexual harassment becoming a more complex issue in the courts as well as in the workplace, and employers must be ready to respond accordingly.

While that response can be prolonged and even difficult, the experts say that the depth of a company's commitment to preventing such conduct can be determined by one step at the moment of the filing of a complaint.

That step: Take it seriously. NB

The Principal Ingredients Of A Sexual-Harassment Policy

By Donald H. Weiss

The existence of a formal and well-publicized declaration that a company will not tolerate sexual or other forms of harassment can be a key factor in its response to allegations that the company permitted such conduct.

While such statements can vary in detail, a formal policy should at a minimum contain these main points:

Purpose

This policy ensures that all employees will enjoy a safe work environment free from unreasonable interference, intimidation, hostility, or offensive behavior on the part of managers, co-workers, or visitors. It also acknowledges that harassment, sexual or otherwise, is against the law and will not be tolerated by this organization.

Policy

[Name of company or organization] will maintain a workplace free of harassment of any kind and from any source, either management, co-workers, or visitors, while treating all complaints fairly and evenhandedly in order to prevent frivolous or malicious accusations.

Responsibilities

Employees.

1. Be sure beyond a reasonable doubt that the conduct you find offensive is discriminatory or harassing. Find witnesses or other substantiation.

2. Let the offending person(s) know you find the conduct offensive. If it does not stop or if it recurs, file a complaint with [name of appropriate channel].

Management.

1. Refrain from all forms of discrimination or harassment at all times.

2. If observing discriminatory or unreasonable conduct, ask the offending person(s) to stop immediately, explaining what the conduct is and how it offends.

3. If the conduct continues or recurs, file an official complaint with [name of appropriate channel].

4. The [title of appropriate officer] will handle the complaint by making a complete investigation and writing up the complaint and the results of the investigation within [number of days].

5. The investigators will make every reasonable effort to determine the facts and resolve the situation.

Sanctions

The organization has the right to apply any sanction or combination of sanctions to deal with unreasonable conduct or discrimination:

1. Counseling with the offender(s);

2. Transfer;

3. Probation, with a warning of suspension or discharge for continuing or recurring offenses;

4. Suspension with or without pay (depending on the seriousness of the offense);

5. Discharge for cause.

Definitions

These are terms that are likely to arise in connection with complaints of sexual and other forms of harassment:

Unreasonable Conduct. Treating someone as if that person were inferior to yourself. This includes condescension (refusing to take someone seriously), verbal abuse (making negative or derogatory comments), exclusion (overlooking or denying someone access to places, people, or information, especially when opportunities for advancement are involved), and tokenism, or "window dressing," which consists of selecting one or few members of a group for very visible positions.

Discrimination. Employment decisions implicitly or explicitly based on factors other than job-related considerations or treating one employee differently merely on the basis of a protected characteristic, i.e., that person's sex.

Harassment. Repeated, unwanted, or unwelcome verbalisms or behaviors of a sexist, racist, or ageist nature or with overtones related to a protected characteristic, e.g., sex, race, ethnicity, religion, age, disability, or military status.

Hostile Environment. Conduct that has the purpose or effect of unreasonably interfering with a person's job performance or creates an intimidating or offensive work environment.

Quid-pro-quo Sexual Harassment. (1) Making submission to sexual demands an implicit or explicit term or condition of employment; (2) making decisions affecting someone's employment or compensation on the basis of whether the person submits to or rejects sexual demands.

Unwelcome Behavior. Conduct that the employee did not solicit or incite and that the employee regards as undesirable or offensive.

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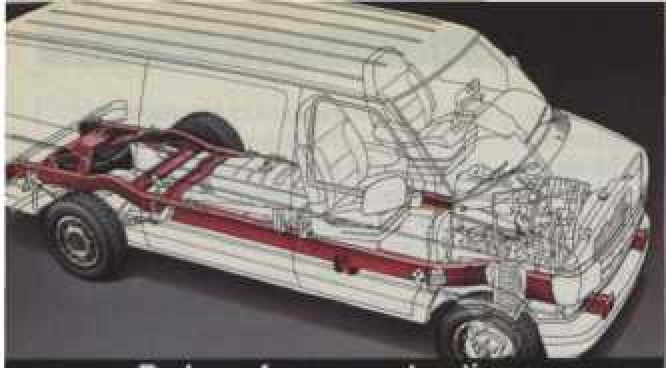

Body-on-frame construction

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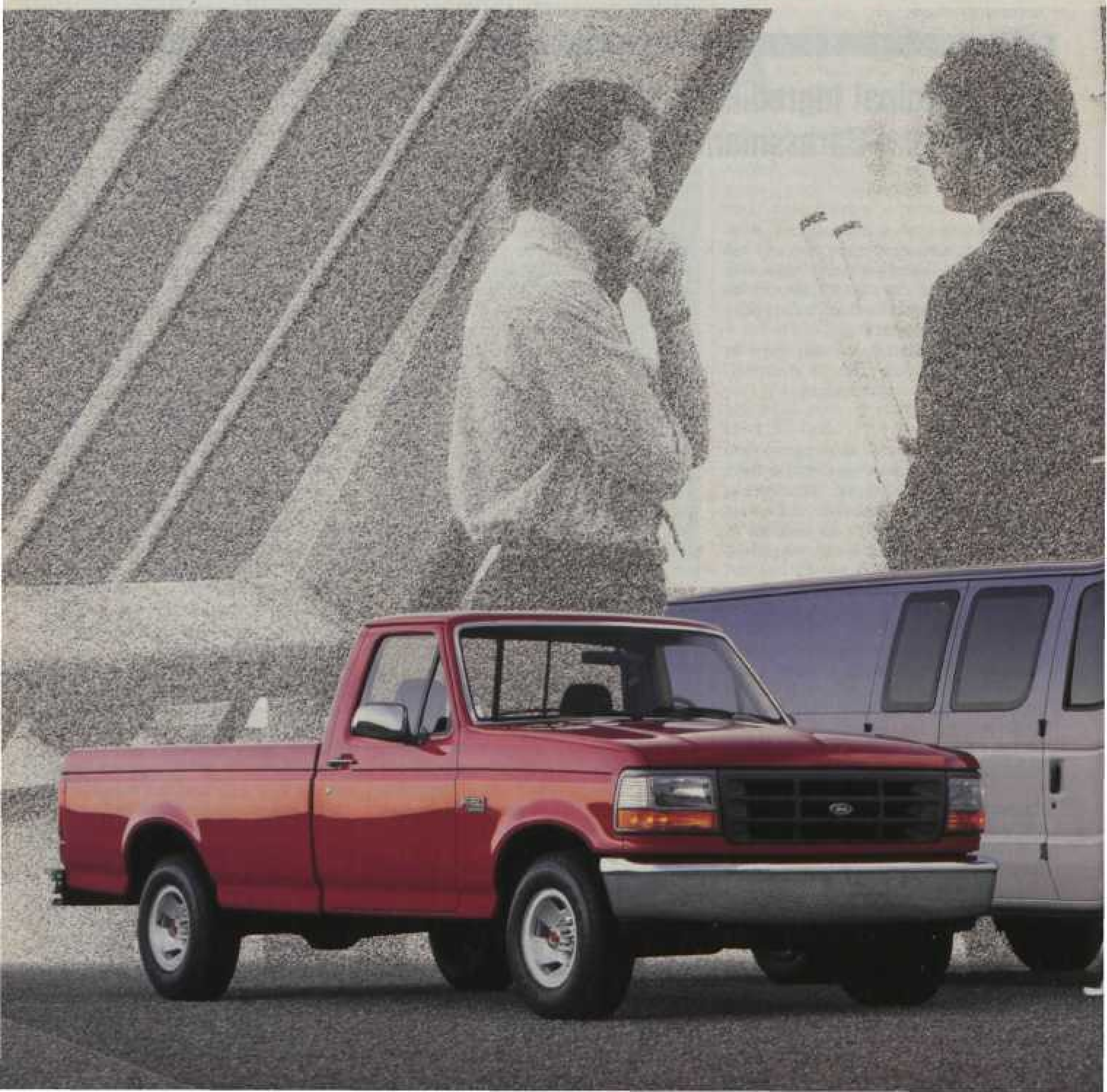


All-new F-Series instrument panel

FINANCE

Don't Put Off Estate Planning

By Joan C. Szabo

Deciding what should happen to a business after retirement or death can be a difficult challenge for an owner. Typically, business owners are reluctant to give up control of a company or to face the unpleasant task of confronting their own mortality. As a result, many business owners fail to establish a workable estate and succession plan.

"Business owners are interested in planning, but they are doing surprisingly little," says Thomas P. Ochsenschlager, a partner in the Washington office of the Grant Thornton accounting firm.

Yet the absence of a plan can be disastrous for a business, especially if the owner dies suddenly. Without a viable succession and estate plan in place, the business's future is at risk. Hefty federal estate taxes, which are due after both the owner and the surviving spouse die, may force the heirs to sell the company.

A recent survey of midsized-business owners by the New York accounting firm of BDO Seidman found that a little over half of the owners who responded have identified their successors, and less than one-third have a formal, written succession plan in place. The survey also found that 63 percent of America's midsized companies are family businesses.

This inaction may be attributable in part to the confusion among business owners concerning recent changes in federal estate-tax laws, says Ochsenschlager. In 1990, Congress repealed the tax code's controversial Section 2036(c), which prevented use of the estate-freeze technique for transferring family-business ownership. The technique allowed a business owner to freeze the present value of the transferred interest for gift- and estate-tax purposes while continuing to control or receive income from the business.

In prohibiting the estate freeze, Section 2036(c) made it nearly impossible for family-business owners to plan adequately for succession without incurring substantial taxes.

The 1990 law replaced 2036(c) with a gift-tax valuation provision known as Chapter 14. The change made it possible to use the estate freeze again, although gift taxes must be paid at the time of the freeze, and dividends must be paid on preferred stock retained by the parents.

The new statute is not without drawbacks, however. For example, family-owned firms using the freeze may end up paying a substantial gift tax on the portion of the business transferred to heirs. In addition, these firms will have to pay a dividend to the parents at a market rate. This could effectively eliminate the use of the freeze for firms that cannot afford to pay such a dividend.

Despite the confusion about estate planning, some options are available. But before choosing a plan, a business owner should answer several questions, including:

- When I leave the company, to whom will it be transferred?
- Am I dependent on continued income from the business after retirement?
- What is the value of the business?
- What provisions have been devised to provide the next generation with the liquidity needed to pay the estate taxes when I and then my surviving spouse have died?

Family-owned firms are affected most by estate taxes because the full value of a parent's business can be included in the parent's estate upon his or her death. The estate tax is one of the highest taxes levied on an individual. The first \$600,000 of a person's estate (the first \$1,200,000 of a married couple's) is exempt from the federal estate tax; amounts above the exempt portion are subject to a graduated tax of 37 percent to 55 percent. Estate taxes generally are due within nine months of death, but in some cases they may be paid in installments over 15 years.

Thanks to the new law, however, there are several techniques that allow business owners—even those whose firms are organized as S corporations—to shelter the appreciation in their companies from potentially staggering transfer taxes, says Sam Starr, a partner in the Washington, D.C., office of the Coopers & Lybrand accounting firm.

An S corporation enjoys some of the advantages of an incorporated business, such as limited liability, but it is not subject to the double taxation of dividends, which is a major complaint of regular corporations and their shareholders. (Double taxation occurs when a company's income is taxed at the corporate level and again as a dividend paid to shareholders.)

Following are some planning options:

The GRAT. One estate-planning option that companies organized as S corporations may wish to consider is the grantor-retained annuity trust (GRAT). To use a GRAT, the S-corporation owner can recapitalize the company and issue voting and nonvoting common stock. The owner then transfers the nonvoting stock—representing most of a corporation's value—to the GRAT and retains the voting stock, allowing the owner to maintain control over the business.

"The transfer of stock to a GRAT does result in a taxable gift to the beneficiaries," says John Gardner, a manager with Coopers & Lybrand's National Tax Consulting Group. "However, that gift won't be the full value of the property transferred, since it is reduced by the current value of the owner's retained annual annuity interest," he says.

PHOTO: GREG KAESTNER—UNIPHOTO

Drawing up an estate plan *and a succession arrangement for a family firm requires that the owner decide among*

These suggestions can take the complexity out of making sure the firm survives after the owner departs.

various options that can affect the future of not only the company but also the family.

A Partial Freeze. With a partial freeze, the family-business owner recapitalizes the S corporation and then sells the nonvoting common stock to family members in exchange for a long-term note. The note kept by the owner freezes the value of the transferred shares for purposes of the owner's estate. Future S-corporation distributions to the shareholders provide cash to the younger generation to pay off the note.

In taking advantage of these planning opportunities, the business owner should remember that the value of the company has to appreciate faster than the interest charged on the installment note. "If it doesn't, you haven't gained anything. You have more assets in the estate of the senior member than the estate of the junior member," says Peter Sweeney, tax partner in charge of personal financial service in the Chicago office of Coopers & Lybrand.

A Partnership. Another planning option is the use of a partnership. Under such a plan, an S corporation transfers its business assets to the partnership for nontax business reasons. The S corporation becomes the general partner, and family members become limited partners.

"The transfer of the limited partnership interests would be subject to the new valuation rules, and the rate of the preferred distributions [to the general partner] will determine the amount of any gift involved," says Gardner. "However, by using a partnership for operations, earnings will flow through to the S corporation—and ultimately its shareholders—with only one level of tax," he says.

A Buy-Sell Agreement. The use of a buy-sell agreement (which is not just for S corporations) can provide a way to buy out a business interest after an owner has died, retired, or become disabled. Typically, the owner is protected by life insurance, with the proceeds going to the buyer to pay for the decedent's business interest.

Chapter 14 also addresses such buy-sell agreements. The new law states that the value of property covered under a buy-sell agreement will be accepted for transfer-tax purposes provided the agreement is a bona fide business arrangement, is not a device to transfer property to members of the decedent's family for less than full and adequate consideration in money or money's worth, and its terms are comparable with similar arrangements entered into by persons in an arm's-length transaction.

Each estate plan is unique. "The concepts must be custom-tailored to the situation," says Dan Hurley, first vice president and trust officer of Advest Bank, in Hartford, Conn.

When establishing an effective estate plan, the business owner should take advantage of available estate-tax credits. A unified estate and gift tax allows for aggregate lifetime transfers by each spouse of $600,000 tax-free to their heirs.

In addition, a husband and wife may each transfer $10,000 in cash or property to each of their children yearly. If they have three children and each parent gives each child $10,000, this gift-giving can result in a tax-free transfer of $60,000 a year. This method could be used to pass on shares of the family business, which could result in transferring appreciation and ownership to the next generation.

Family-owned firms also may wish to consider a gift of a life-insurance policy to an irrevocable trust. This arrangement removes the insurance proceeds from the insured's and insured spouse's estates and avoids federal estate taxes. It also provides money to purchase shares of the company's stock and to pay the insured's estate taxes, debts, and administrative expenses of the estate, and it protects insurance proceeds to beneficiaries from creditors' claims.

In many situations, the taxes on the value of the insurance policy when the gift is made plus subsequent premium payments usually are covered by the gift-tax exclusion. It is important to keep in mind that while the trust may save the insured individual money in taxes during his or her lifetime, unless it is properly designed, the policy's beneficiaries may be subject to income taxes.

Another option to consider is charitable giving. One way to establish such a program is through a charitable remainder trust, which enables the business owner to remove an asset from his or her estate and place it in a trust managed by a designated charity or charities.

For a specified period or for life, income from the asset goes to a noncharitable beneficiary who could be the donor, a spouse, a relative, or a friend. After the specified time, ownership of the asset passes to the donor's chosen charity.

A charitable lead trust also can be used. Under that plan, the asset is placed in a trust, with income channeled to the designated charity for a specified time. The asset then passes to the heirs. The amount is taxed, but at a lower value for gift-tax purposes.

Charitable giving works well for donors who are truly charitably motivated and who also want to do what is fair for family members. It can work well too for individuals looking for tax benefits, either to avoid a capital-gains tax or reduce a large estate.

Once an estate plan is completed, experts say, it should be reviewed and, if necessary, revised every two to three years to reflect important changes in the business and in the family. NB

REGULATION

What You Must Do For The Disabled

Here are rules you must follow now in your company to comply with the new disabilities law.

By Bradford McKee

Counting down to late January, businesses are bracing for implementation of the first equal-access rules drafted for the Americans with Disabilities Act. The law, enacted in July 1990, requires companies serving the public to accommodate people with disabilities just as they accommodate nondisabled customers and clients.

By Jan. 26, 1992, according to the rules, facilities of all such businesses must make sure that existing, altered, or remodeled facilities are ready for easy use by the disabled.

By Jan. 26, 1993, all commercial firms, even those that don't serve the public, must make new buildings and grounds conform to strict codes of access for people with disabilities.

In new construction, however, where access is hampered by the terrain, a new facility may not have to meet total-access standards, although it must be made as accessible as possible. In addition, access rules do not apply to temporary parts of construction sites and places reached only by catwalks or crawl spaces.

Temporary buildings and facilities—structures such as bleachers, exhibits, pedestrian walkways, and reviewing stands—also must be accessible.

What must you, as a business owner, do to comply? What can you *not* do? Where must you offer access? What *is* access? What happens if your structural barriers aren't down and accommodations aren't ready by Jan. 26? Can you be sued? Can you get help?

Outlined below are the more prominent rules of the disabilities law as they apply to a company's existing structures and to alterations made to the structures. On subsequent pages are details on the requirements for new construction.

Meeting New Access Standards

The disabilities law protects anybody with a physical or mental impairment that restricts routine living.

The law also protects anyone with a history of impairment, as well as people "regarded" as having impairments, and, quite broadly, people associated with disabled individuals.

The rules drawn up for the Americans with Disabilities Act cover the full range of public accommodations, including lodging, restaurants, theaters, stores, service firms, rail depots, museums, parks, private schools, care centers, and health spas (except private clubs, which, like religious entities, are exempt from the law as it pertains to accommodations).

Firms may not offer inferior substitutes to clients with disabilities, either directly or in contracts. Services and goods for the disabled must be available in the mainstream as much as possible.

Part of this integration applies to the rules the business makes for its customers. Those rules also must be nondiscriminatory for people with disabilities.

PHOTO: T. MICHAEL KEZA

Workplaces *must have accessible travel paths for people with impaired mobility.*

However, equal access should pose no "direct threat" to anyone's safety or health. And although insurers still may take risks into account in setting premiums for a firm that serves the public, a firm may not in turn use its insurance coverage as an excuse for avoiding the law's requirements or refusing to accommodate people with disabilities.

Access In Existing Facilities

Firms must make "reasonable" changes in existing facilities, goods, services, and policies to afford access to people with disabilities. However, in offering such access, companies are not required to "fundamentally alter" anything they offer to any customer. A reasonable change might be to allow a visually impaired patron to bring a guide dog into a store or to allow a customer in a wheelchair to pay at an express counter regardless of the number of purchases.

To make sure disabled customers such as those with hearing or vision problems are not excluded from service, businesses may have to provide assistance such as interpreters, readers, Braille materials, or text telephones. These aids are not required if they involve "significant difficulty or expense." However, if such aids are offered, the business may not charge extra for them or for any accommodation.

Companies that accommodate the public must remove architectural and communications obstacles to the handicapped if the removal is "readily achievable." The decisive test, again, is that barrier removal should not bring "significant difficulty or expense."

Readily achievable changes could mean moving shelves, widening doorways, or placing cups near a drinking fountain.

Barrier removal and alterations should conform as much as possible to access codes for new construction. (See "Point By Point: The Rules Of Access," beginning on Page 38.)

In places where barrier removal would not afford access to the disabled, firms should try alternatives such as offering curb service, home delivery, or help in taking items from shelves.

Private firms offering transportation to the public, regardless of whether it is the firm's principal business, may not buy or lease vehicles that cannot be used by the disabled, including those in wheelchairs.

Firms offering transportation as a sideline to service—shuttles or trams—must make them barrier-free wherever doing so would be "readily achievable." The rules do not require installation of hydraulic lifts, however.

In employee-only areas—places such as storerooms—there must be provisions to allow people with disabilities to approach, enter, and exit.

Access In Altered Facilities

In a business's main areas, such as a bank's lobby or a restaurant's dining room, alterations or renovations must have paths of travel usable by the disabled. The cost of accessible features need

not exceed 20 percent of the whole cost of the alteration, however.

Any change to a building that would make it less accessible is not permitted.

Enforcement

Because it may be hard for firms to remove all barriers at once, some leeway may be granted in enforcing the law's Jan. 26, 1992, deadline. James Raggio, general counsel of the U.S. Architectural and Transportation Barriers Compliance Board, says that "you don't have to have all [barriers] removed by Jan. 26," but by that date "you have to have made a good-faith effort," which would include a survey of your firm and a plan to ensure access to people with disabilities over time. "It's a continuing obligation," Raggio says.

Anyone may file a civil suit against a firm on grounds that he or she has faced—*or is about to face*—discrimination because of a disability. A suit under the disabilities law may result in a temporary or permanent order to stop discrimination.

A court also may order a firm to provide access to the disabled and even to provide sensory aids or alternative service.

The U.S. attorney general may ask for an investigation or review of compliance with the disabilities law to uncover potential violations.

Penalties for first violations of the law can be as high as $50,000; for subsequent infractions, $100,000.

Until July 26, 1992, no one can file suit against a company with 25 or fewer employees and revenues of $1 million or less. Until Jan. 26, 1993, a firm with 10 or fewer employees and $500,000 or less in revenues can't be sued for violations of the disabilities law.

In taking action to afford access to disabled customers, where should you start?

The rules specify access priorities. The first, says Raggio, is "getting people in the front door," which includes accessible paths from outdoor areas to the firm's entrance.

The next priority is to make merchandise and services accessible. Restrooms, if open to the public, would be the third priority. Other barriers should come down after that.

More Rules To Come

Additional requirements of the disabilities law, governing equal employment, take effect July 26, 1992. An upcoming article in *Nation's Business* will focus on those employment rules.

For answers to any questions about the Americans with Disabilities Act, you may call the Department of Justice's information line at (202) 514-0301 (voice) or (202) 514-0381 and (202) 514-0383 (TDD—telecommunications device for the deaf).

Point By Point: The Rules Of Access

The Justice Department and a federal access board have issued public-access rules that all public accommodations and any new commercial facilities must follow. Here are certain minimum access standards that companies must meet.

Accessible Space And Reach

Public areas of a business must be within easy reach of people with impaired mobility, including those in wheelchairs. Under the new rules, firms must have accessible paths of travel, ample passing space in corridors, and sufficient space to move wheelchairs. Merchandise must be within specific "reach ranges."

Wheelchairs

For a typical wheelchair, the clear width must be at least 36 inches (915 millimeters) in a passageway, and at least 32 inches (815 mm) at such points as doorways. Two wheelchairs need a width of 60 inches (1,525 mm) to pass each other. Turning space for a 180-degree turn is 60 inches (1,525 mm) in diameter.

Clear floor space of at least 30 by 48 inches (760 by 1,220 mm) is required for forward or parallel approach to fixtures or products, and it must join an accessible path (see below).

The high reach from a wheelchair, such as to push an elevator call button when facing it, cannot exceed 48 inches (1,220 mm). The maximum allowable side reach is 54 inches (1,370 mm). The low reach for objects can be no more than 9 inches (230 mm) above the floor from the side and 15 inches (380 mm) above the floor for a forward approach.

Clear Paths

At least one accessible path must connect all accessible parts of a public place. This route must link transit, parking, and public streets or sidewalks to the building entrance. The accessible route must coincide with that used by the nondisabled public as much as possible. Here are specifications for clear paths:

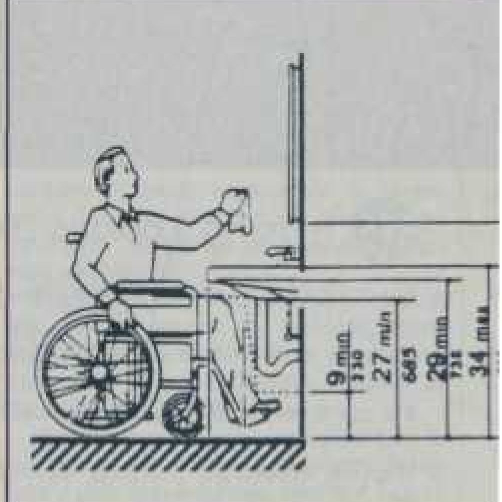
The width must be at least 36 inches (915 mm), except 32 inches (815 mm) at doors. Turnaround space on the route must be at least 60 by 60 inches (1,525 by 1,525 mm) and must occur at least every 200 feet (61 meters) on the path. A T-shaped intersection of two corridors counts as acceptable turnaround space.

The slope on an accessible path is considered a ramp if it is greater than 1:20 (a 1-foot rise for each 20 feet of the path), and it must follow ramp-access rules. (See the "Ramps" section on Page 39.)

Protruding fixtures such as telephones or artwork may not reduce a path's clear width. Objects projecting into an accessible path at a height between 27 and 80 inches (685 mm and 2,030 mm) must not jut out more than 4 inches (100 mm) into walkways or aisles. Objects with edges at or below 27 inches (685 mm) above the floors may stick out any length.

Floor and ground surfaces on an accessible path must be stable and slip-resistant. A change of up to one-fourth of an inch (6 mm) in the level of a floor is permitted. Changes in floor level of one-fourth to one-half an inch (6 to 13 mm) must have beveled edges. Changes in level greater than a half-inch must be accommodated with a ramp.

Carpeting on clear floor areas must be firm and secure, have a level texture, and have pile no thicker than a half-inch (13 mm). Exposed carpet edges must have trim along the entire length.



Standards to the millimeter *are aimed at*

Parking

Accessible parking for visitors or employees with disabilities must be on the shortest possible route to an accessible entrance to the building. Accessible parking need not be in a specific lot as long as it is at least equally as convenient as general parking and costs no more.

The number of accessible parking spaces for a business serving the public is based on this formula: One to 25 total

spaces in the lot, at least one accessible space; 26 to 50 total spaces, two accessible spaces; 51 to 75, three; 76 to 100, four; 101 to 150, five; 151 to 200, six; 201 to 300, seven; 301 to 400, eight; 401 to 500, nine; 501 to 1,000, 2 percent of the total.

In lots larger than 1,000 spaces, there must be 20 accessible spaces plus one for each 100 spaces exceeding 1,000.

Each accessible space must have an access aisle, making the total width of the space at least 96 inches (2,440 mm). Two accessible spaces may share the same access aisle. One required space, and at least one in every eight, must be marked "van accessible."

Ramps

A ramp is any part of a path that has a slope steeper than one foot of rise for each 20 feet of its run (1:20). Ramps should have as little slope as possible, and new ramps must be no steeper than 1:12. The greatest allowable rise for any ramp run is 30 inches (760 mm). Ramps must be at least 36 inches (915 mm) wide and have level landings at least 60 inches (1,525 mm) long at the top and bottom. Any ramp that has a rise greater than 6 inches (150 mm) *or* that is longer than 72 inches (1,830 mm) must have handrails.

at least five seconds from the signal; they must remain fully open for at least three seconds.

Doors

All doors into or out of accessible areas must meet new access rules. At least 50 percent of all public entryways must be accessible, and at least one must be a ground-floor entrance (this excludes service entrances, although if a service entrance is the only way into and out of the building, it must be accessible).

Revolving doors and turnstiles must not be the sole means of getting through an "accessible" entrance.

Accessible doorways must be at least 32 inches (815 mm) wide with the door open 90 degrees. Door thresholds for exterior sliding doors must not be higher than three-fourths of an inch (19 mm), and for other types of doors, no higher than half an inch (13 mm).

Drinking Fountains

Wherever a business provides a drinking fountain, at least one must be usable by people in wheelchairs as well as people with problems bending or stooping.

If more than one drinking fountain is in place, half of the number provided must

The toilet seat should not have springs and should be no higher than 17 to 19 inches (430 to 485 mm). Water closets must have grab bars.

The minimum depth of toilet stalls is 56 inches (1,420 mm). Again, measurement requirements vary depending on the layout of the facility.

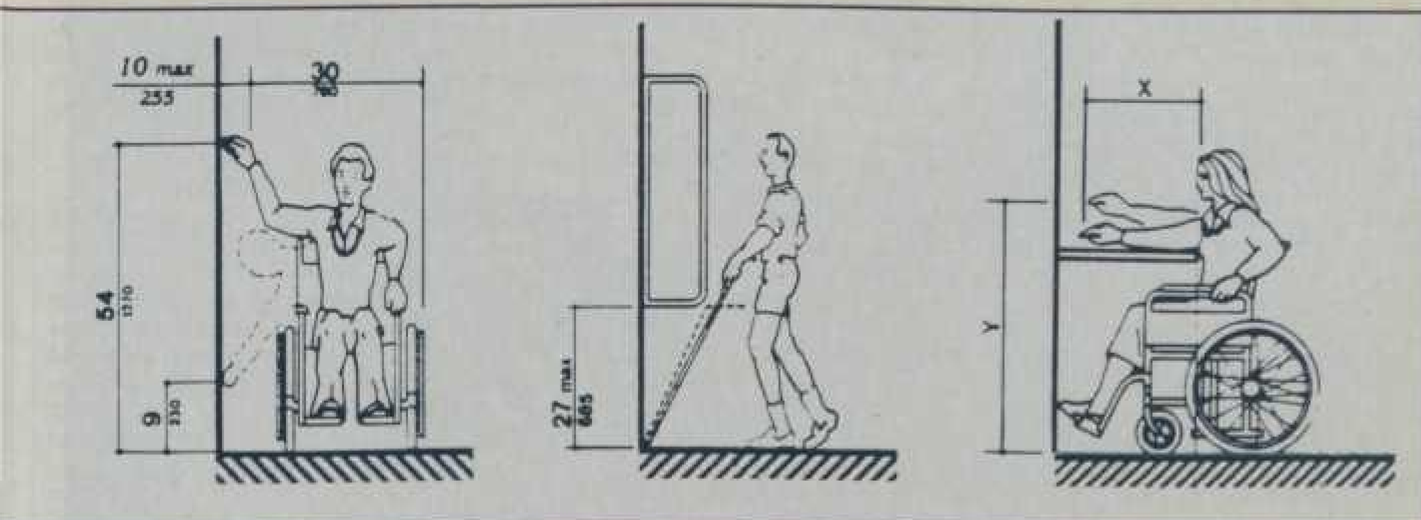
Lavatories must not be higher at the rim than 34 inches (865 mm) above the floor. The bottom of the lavatory must not be higher than 29 inches (735 mm). Clear floor space of 30 by 48 inches (760 by 1,220 mm) must be in front of the lavatory.

The bottom edge of a mirror's reflecting pane should be no more than 40 inches (1,015 mm) above the floor.

Clear floors next to bathtubs must be at least 30 by 60 inches (760 by 1,525 mm) but may need to be larger. Accessible bathtubs must have an in-tub seat, grab bars, accessible faucet controls, and a shower spray unit with a hose at least 60 inches (1,525 mm) long, for use either as a fixed shower head or a hand-held device.

A shower stall, for access, must be at least 36 inches (915 mm) square, have no surrounding obstacles, and have a seat.

Operating controls in toilet and bathing areas must be operable with one hand and not demand tight gripping or twisting.



helping disabled people use facilities such as restroom lavatories, elevator controls, public phones, and restaurant tables.

Elevators

New buildings of three or more stories or with 3,000 square feet or more per story must have elevators. If the building is a shopping mall or shopping center, or a professional medical office building, it must have elevators to reach all levels. If a new building is exempt but is to have an elevator anyway, the standards for accessible elevators apply.

Elevators should be automatic and self-leveling. There must be both visible and audible signals when the elevator arrives. Doors may not start closing until

be accessible. The distance from the floor to the spout opening of an accessible water fountain or cooler cannot exceed 36 inches (915 mm). The spout itself must be at least 4 inches (100 mm) high. Knee space under the fountain must be at least 27 inches (685 mm) high, 30 inches (760 mm) wide, and 17 to 19 inches (430 to 485 mm) deep.

Toilet And Bathing Facilities

Water closets that have toilets not in stalls must have ample clear floor space, which varies according to the floor plan.

Automated Teller Machines (ATMs)

At least one ATM at any place—except drive-up-only units—should have controls within reach ranges for people with disabilities. They should be made for easy use by people using wheelchairs or with impaired vision.

Telephones

At least one public telephone or pay phone on each floor of a building, if provided, must comply with accessibility guidelines.

Accessible telephones (and at least

one-fourth of others) must have volume controls. If four or more public phones are at one site and at least one is indoors, at least one indoor phone must be a "text telephone," or keyboard-assisted unit, for use by people with hearing impairments.

Public telephones should have open floor space in front or parallel to them of at least 30 by 48 inches (760 by 1,220 mm). Surrounding fixtures must not impede approach by people using wheelchairs. Telephones and telephone directories must be within specified reach ranges. (See the "Wheelchairs" section on Page 38.)

Dressing Rooms

At least 5 percent of public dressing rooms for men and for women must be accessible. Dressing-room space should allow a 180-degree turn by a wheelchair and have no doors blocking the inside. Turning space is not required in dressing rooms that have clear floor space of at least 30 by 48 inches (760 by 1,220 mm) and a curtained opening at least 32 inches (815 mm) wide.

Each accessible dressing room needs a bench of 24 by 48 inches (610 by 1,220 mm) mounted to the wall at 17 to 19 inches (430 by 485 mm) above the floor. Accessible dressing-room mirrors should be at least 18 inches wide and 54 inches high (460 by 1,370 mm), and each should be usable by anyone sitting on the bench or standing.

Restaurants And Cafeterias

These businesses must follow all public-access rules. At least 5 percent of tables and counters, or at least one table or counter—whichever number is greater—must be accessible to people with disabilities.

Accessible tables and counters must be apportioned between smoking and nonsmoking areas and, where possible, must be available in all areas.

Where serving counters are more than 34 inches (865 mm) above the floor, at least 60 inches (1,525 mm) of the main counter's length should be 28 to 34 inches (710 to 865 mm) above the floor.

Newly built restaurants should be accessible in all areas, including raised, sunken, or outdoor dining, and loggias. In buildings without elevators, mezzanine seating must be accessible unless it is one-third or less of the total accessible seating; the same services and decor available in all other areas must be available in the accessible areas, and the accessible areas must not be strictly for use by people with disabilities.

Alterations to raised, sunken, or outdoor dining areas may not have to be made totally accessible if the same type of service and decor is in an accessible area also used by nondisabled customers.

Food service lines such as those in cafeterias ideally should be at least 42 inches (1,065 mm) wide to allow passage around a person using a wheelchair, but a minimum 36 inches (915 mm) wide. Tray slides should be no more than 34 inches (865 mm) above the floor and at least half of self-service shelves, tableware, condiments, and vending machines should be within accessible ranges of reach. (See the "Wheelchairs" section on Page 38.)

Theaters And Other Public Places

Accessible spaces for wheelchairs are required in public-assembly areas according to this formula: Where the seating capacity is up to 25 persons, there must be one wheelchair location; for 25 to 50, two wheelchair locations; 51 to 300, four locations; 301 to 500, six locations. Where seating is for more than 500 people, there must be six wheelchair locations plus one for each 100 seats exceeding 500.

Wheelchair accommodation in places of assembly includes offering a choice of admission prices and lines of sight comparable to those enjoyed by the nondisabled public.

A fixed seat for companions must be next to each wheelchair spot.

For assembly places with more than 300 seats, the wheelchair locations must be dispersed throughout the audience. Removable seats may be used in unoccupied wheelchair locations if the accessible spots are not needed.

Also, 1 percent, but at least one seat (whichever is greater), of all fixed seats must be aisle seats. They must also have no side armrest or must have removable armrests. The seats must be specially identified, and their availability must be noted at the ticket office.

Permanent listening-aid devices must be in place at assembly areas—either those for 50 or more people *or* those with audio-amplification systems *and* fixed seating.

Sales And Service

In department and retail stores, cash-register counters must have a portion at least 36 inches (915 mm) wide that is at most 36 inches (915 mm) above the floor. Accessible counters should be spread throughout the store and adjoin an accessible path. Generally, the same goes for ticket counters and teller stations in banks.

In newly built stores with less than 5,000 square feet, only one checkout aisle need be accessible, that is, 36 inches (915 mm) wide, although portions can be as narrow as 32 inches (815 mm). In stores with more than 5,000 square feet, at least one of each type of checkout aisle (such as express lanes) must be accessible.

Accessible aisles must have adjacent counters no higher than 38 inches (965 mm) above the floor, and there must be signs showing they are accessible.

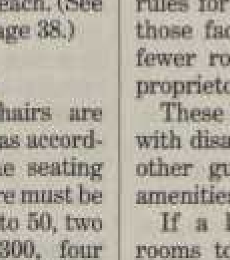
Lodging

Lodging includes hotels, motels, inns, boarding houses, and dormitories. The rules for accessible lodging do not cover those facilities in buildings with five or fewer rooms for rent and that are the proprietor's residence.

These lodging places must offer people with disabilities the same type of choices other guests have in room size, cost, amenities, and number of beds.

If a lodging place limits accessible rooms to, say, double-occupancy suites, they must be available to people with disabilities who ask for single rooms at single-occupancy rates.

In alterations of lodging places, at least one room for every 25 rooms (or a like fraction) must be accessible, and the same number must include aids for people with hearing impairments, such as visual alarms and notification devices (which alert people to incoming calls or knocks on doors, for example) and adaptive telephones.

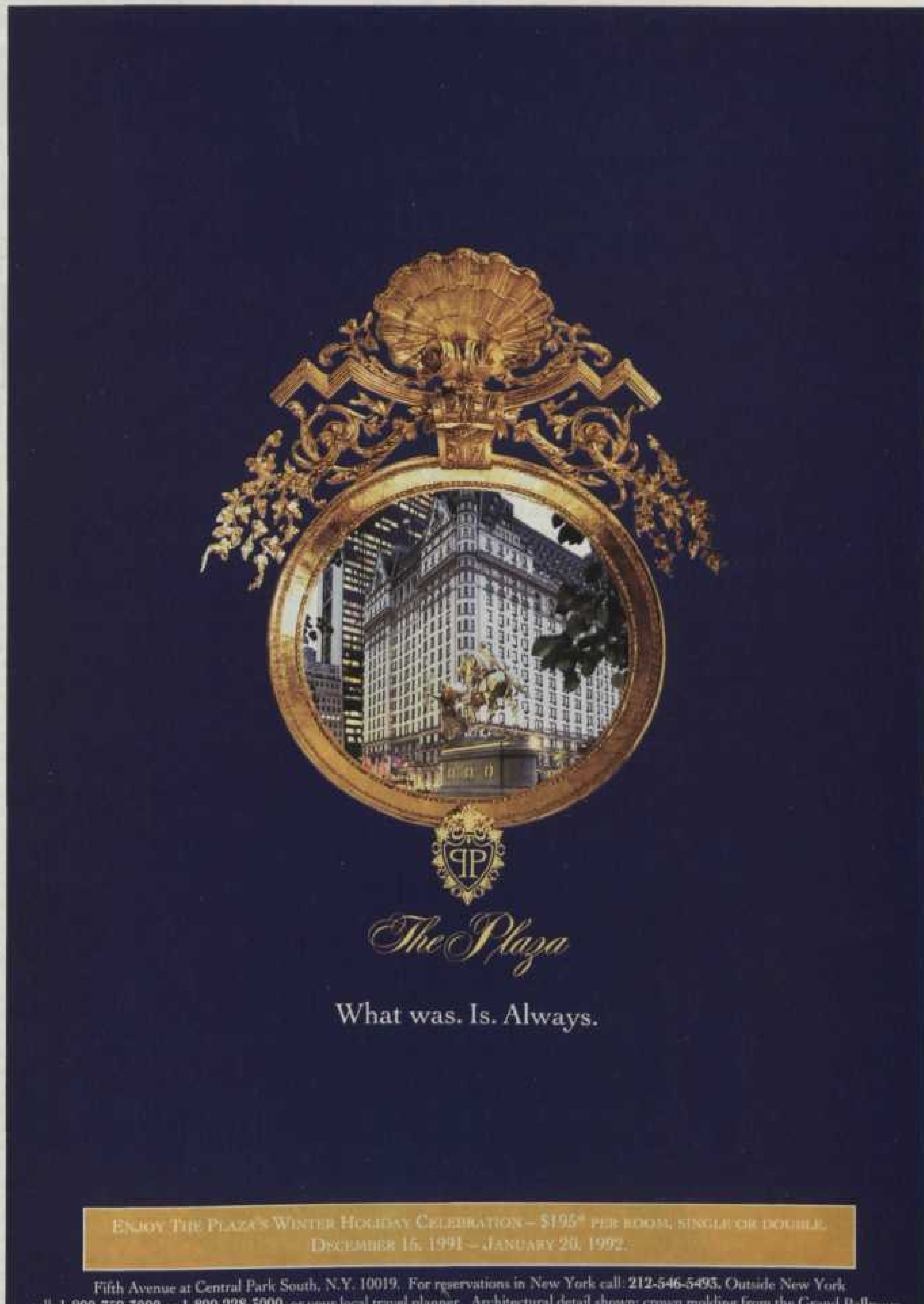


For More Information

The rules outlined here are summaries, not complete building and remodeling codes. You may find that parts of the government's access rules for new construction and alterations overlap one another or appear to contradict one another, depending on your business.

What Business Must Know about the Americans with Disabilities Act is a U.S. Chamber of Commerce publication on all aspects of the law. It is available from Publications Fulfillment, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062. The price is $20 per copy for U.S. Chamber members, $33 for nonmembers. For credit-card orders by phone, call 1-800-638-6582 (in Maryland, 1-800-352-1450).

For a free, complete copy of *Accessibility Guidelines for Buildings and Facilities*, write to the U.S. Architectural and Transportation Barriers Compliance Board, Suite 501, 1111 18th Street, N.W., Washington, D.C. 20036-3894; or call (202) 653-7834 (voice/TDD—telecommunications device for the deaf) or (202) 653-7863 (fax) to request a copy. NB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Media Networks Helps Pilot Pen Get Its Fountain Running

Every year, Pilot Pen launches a series of promotions to boost sales, increase brand awareness, and introduce new products. The challenge in 1990 was to involve local dealers in the roll-out of the new Varsity Disposable Fountain Pen.

To bolster awareness in support of the local dealers, Pilot's ad agency, Mason & Madison, recommended and implemented a series of Pilot Pen ads in MNI's News Network, a package of top national newsweeklies that targets local markets. Taking advantage of the News Network market-by-market creative flexibility, Pilot provided local dealer listings in each of 23 different markets.

The results exceeded all expectations. The promotion set new records for volume and turn-around time. In fact, Pilot emptied its warehouse even before the promotion ended its 10-week time frame.

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Small-Business Computing

Computerizing the whole shop; three new reasons to do Windows; and a look at security in the office and on the road.

RETAIL TECHNOLOGY

Point-Of-Sale Inventory Systems: Now Ready For Small Businesses

Although the stately cash register might be a traditional symbol of retail establishments, many small-business owners are replacing it with a perhaps less aesthetic but eminently more helpful computer and printer.

The standard cash register captures information on tape, requiring the store owner to re-enter the data into columnar sheets or computer databases for accounting, analysis, or inventory reports. A computer point-of-sale (POS) inventory system, on the other hand, automatically captures a host of information about each sale and instantly updates the inventory database. A retailer can then view on a screen up-to-the-minute information about stock on hand or create printed reports that help in making buying decisions.

While POS inventory systems are not new—large chains have been using them for more than 20 years—what is new is the price. Until about four years ago, most systems ran on mainframe or minicomputers and cost $25,000 and up. Now, a two-computer Macintosh or IBM PC or compatible system can cost less than $4,000 for hardware and software.

POS inventory systems are typically sold as modules. Most systems include at least two computers and printers, one at the checkout counter for POS activities and the second in the back room for inventory reporting. The POS computer can be outfitted with a cash drawer (about $500) that opens only when a transaction is made and a bar-code reader (about $600) that automatically puts in data from manufacturers' or internally generated labels.

The procedure of ringing up a sale on a POS inventory system is much the same as with a conventional register. Using the keyboard or scanning the bar-code label, the clerk enters the product name or number and sometimes the price. The product information then appears on the computer screen. After all purchases are listed, the totals are displayed, and the cash drawer (if used) opens. When the transaction is completed, the printer issues the receipt. While these systems are slightly slower than standard cash registers, this normally is a concern only in high-traffic environments, such as convenience stores, that need faster processing than a personal computer and printer can muster.

The computers can be networked, or disks can be carried between the machines. The same disk-carrying method can be used for multiple store operations. Alternatively, the data can be transmitted from store to store using a modem and standard communications software.


PHOTO: ERIC FERRO

Karen Boyette, *owner of Klassy Kids Boutique, in Brandon, Fla., uses the Electric Merchant to combine cash register functions with restocking.*

For many retailers, the main advantage of POS inventory systems is that the screen at the register can display immediately which items are in stock at any time. This eliminates the need to leave the register and hunt through boxes to answer a customer's request.

But there are also after-hours advantages. POS systems provide reports that list merchandise that should be reordered because stock has fallen below the recommended level.

Using reports from Electric Merchant, an IBM or compatible-based POS inventory system from Software Creations, Inc. of Tampa, Fla., Karen Boyette, owner of Klassy Kids Boutique, in Brandon, Fla., says placing orders now "takes minutes instead of hours." And stocking is also much quicker because Electric Merchant automatically prints pricing labels after the merchandise has come in the door.

Steven Janus, who uses Retail Engine, a Macintosh-based POS inventory system from Houlberg Development, Inc., of San Diego, says that for the first time, his buying decisions are based on hard data instead of "guesstimates."

Janus owns three Koala Blue clothing stores, one in Honolulu and two on the Hawaiian island of Maui. Each store carries a number of fashion lines, and in the past, Janus had always been in a quandary trying to decide what percentage of his buying dollar should be spent on each line. "Customer buying trends change quickly," he says, "and each store is different. It was almost impossible to keep up with what the customers were buying." Now each month or so, Janus generates a report that shows the percentage purchased per fashion line for each store, and he allocates his purchasing dollars proportionately. For the first time, he says, his inventory is "in line with what the people want," and so it moves more quickly.

Another headache that Retail Engine has cured for Janus is that of reporting general ledger data. Monthly reports now are automatically generated by the software. "I think my accountant likes the system as much as I do," Janus says.

Some accounting packages are adding POS capabilities. Cougar Mountain Software, in Boise, Idaho, sells a popular PC-based accounting package called ACT, which has a POS module called StoreWare. It adds on to an already-installed ACT accounting system, will support bar-code readers and cash drawers, and provides a wide series of reports.

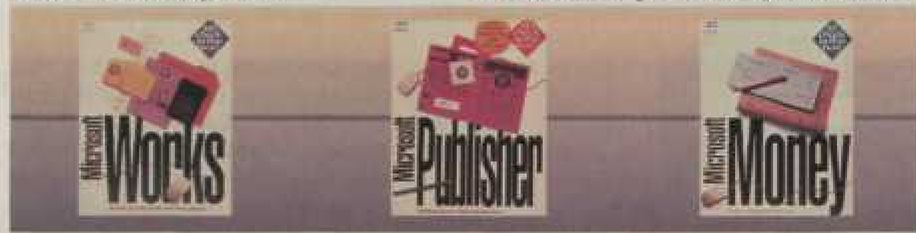
In the 1960s, mainframe-based POS inventory systems cost about half a million dollars and yet were gobbled up by large chain stores that knew a competitive advantage when they saw one. Now it's small businesses' turn. The price is right, the speed is acceptable, and the reporting ability is all that small retailers need.

—*Larry Stevens*

SOFTWARE

New Windows Software Designed With Small Business In Mind

The small-business people we talk with about computing often comment that the capabilities of new software far outstrip their needs, and that it can be difficult to master and too expensive.



If you agree, consider buying one or more of Microsoft's new Windows-based software offerings: **Works for Windows**, **Publisher**, and **Money**.

All three do a few—but not too many—things well. Works for Windows capably handles basic word processing, spreadsheet analysis, and database maintenance. Publisher allows creation of straightforward forms, tables, letterheads, business cards, and even newsletters. Money tracks personal and very-small-business income and expenses.

Information entered in any part of any of these programs can be affixed anywhere else within the three. For example, a section of a spreadsheet created in Works can be pasted easily either into a Works word-processing document or into a newsletter created with Publisher.

All three programs are simple to learn provided you already have learned to cope with the eccentricities of Microsoft's Windows operating system. In fact, all three programs are so easy to install and master that you may never have to open an instruction manual.

And all three are affordable: Works and Publisher list for $199 each; Money lists for $69.95.

—*Albert G. Holzinger*

SECURITY

A Notebook Not Just Anyone Can Open

As the story goes, just before the allied forces began military action against Iraq this year, a British air force captain left his notebook computer—with allied battle plans on its hard drive—in his car while he dashed into an auto showroom. The car was broken into, and the notebook computer was stolen.

Although the notebook was recovered and no harm was done, incidents like this feed most computer users' worst nightmare: that sensitive data will fall into a competitor's hands. Notebook computers make data portable—and vulnerable to theft.

BCC, a top manufacturer of joysticks, is building a notebook, the **SL007**, with a chip-controlled security system that meets the federal data encryption standard (DES). Without the randomly generated key, no one can read anything on the computer. BCC's senior vice president, Chris Tubis, says the computer will have uses throughout government agencies, the military, financial institutions, and proprietary company databases.

The machine is extremely well made

and durable, with well-thought-out features, such as a hinged screen that fits easily in tight spaces, a 60-MB hard drive, low power usage, light weight, scar-resistant case, and a key that switches between DOS and Microsoft Windows.

It's priced at $4,995, with an additional $995 for the DES option.

Securing Your Data

Although not as secure as the DES hardware standard, software encryption schemes are adequate for most uses to protect data.

MenuWorks is a popular program for DOS machines that lets you create your own series of menu choices so that you don't have to deal with the bare DOS command prompt. Now the company has added **Total Security** to the menuing capabilities, a software encryption product that can offer reasonable security to the average user.

If you have files that you don't want just anyone to see and read, MenuWorks Total Security might be your solution. It is simple to use and does not slow your work appreciably.

MenuWorks Total Security lists at $149.95, and it is networkable (site licenses are available).

HARDWARE

IBM Changes Spelling Of "Service" To PS/1

If you need a workhorse computer and if top-notch service is more important to you than rock-bottom price, consider one of IBM's two new PS/1 offerings.

Both machines are powerful enough to run all but the most demanding software, sport an attractive color monitor, contain a 2,400-baud modem, and feature IBM's unsurpassed keyboards. Both also come equipped with a mouse and software, including Prodigy, an online information service; Promenade, an on-line education and entertainment provider; and Microsoft Works.

The principal differences between the two are the sizes of the standard hard disks—40 MB for the lower-cost **C42**; 80MB for the more costly **B82**—and the expansion options.

What sets these machines apart from the competition is IBM's support policy. IBM guarantees that if the machine breaks down, the company will get it up and running pronto, even if it means express shipping a replacement to your office. Vendors of these machines, which include popular retail stores such as Sears Roebuck, Montgomery Ward, and Circuit City, can detail the service program further.

The list price of the C42 is $1,699; the B82 lists for $2,199. That's somewhat higher than comparable machines, but for many users, the service security blanket will be worth the money.

TOOLS

Find The Right Quote

"Comparisons are odious." If you'd like to have a quote like that for a speech comparing your product with a competitor's, for example, and if you need to know who said it (Dr. Johnson), you'd like **Quotemaster Plus 5.0**, a database of quotations that can be dropped into your word processor. It allows you to search according to many criteria (subject, author, time period, key word) without having to unload your word-processing program. Released by PennComp of Houston (1-800-326-6145), the base program lists for $89; additional quote libraries are $55 each. NB

MANAGING

How To Be A Great Boss

These seven skills can help you be not only well-liked but also more effective as a boss.

By Roberta Maynard

Can you be a great boss in your employees' eyes without giving away the store?

The fact is that a great boss is not someone who gives in to every employee wish. For your staff to think you're a great boss, it's more important to be someone whom people feel good about working for—a person employees perceive as fair, open, and honest. Those are the three qualities that employees consistently say in surveys that they appreciate most in a boss.

When they feel good about the person they report to, they feel better about the company they work for, and everyone benefits.

ILLUSTRATIONS: BILL COULTER

Experts in measuring employee productivity and satisfaction with their working conditions say that there are specific characteristics of a great boss. They also say that you can learn how to be a great boss by developing these seven skills:

1. Be a good and willing communicator. Because employees rely on their boss for a variety of information—about their performance, about the company, and about how to do the job—communication is the most important element in their relationship. It is also the most frequent source of problems.

"Great bosses share information," says Stephen L. Guinn, whose Pittsburgh-based company, PSP Human Resource Development, conducts employee surveys and manager evaluations. "Good bosses are good listeners," he says. "They ask for employees' opinions and encourage employees to take initiative."

2. Specify job-performance expectations. Two major items that appear repeatedly in employee surveys are related to performance, says Guinn. First, employees say they get only negative feedback on performance. Second, they say that bosses tend to wait until the last minute or, typically, the employee's review to alert workers to performance problems. When there is a problem, a good boss doesn't hesitate to tell an employee about it as soon it becomes apparent.

To ensure regular communication about getting the job done, bosses should schedule brief meetings—five minutes or so—with each individual under their supervision once a month, says Don Thomas, senior vice president of CSRI, a management consulting firm in Santa Clara, Calif. Find out what your people need in order to do their jobs better—be it materials, information, or help in communicating with other departments.

3. Make contact daily with as many team members as possible. "Visual recognition counts," says Thomas. "There seems to be a pattern of bosses not wanting to make eye contact." Employees also seem to like having a boss who is concerned about their personal lives, he says, as long as the boss takes care not to pry or invade their privacy.

Withholding information about the company is another frequent problem—one that causes resentment and undermines trust. "What employees don't like is reading in the newspaper something about their company that their managers didn't tell them," says Guinn. Whenever possible, managers should give employees information that affects them concerning company performance, plans, and objectives. By posting quality reports, for example, a boss shows employees the importance of their own contributions.

4. Loosen the reins. Bosses who overcontrol their employees are not helping them improve; in fact, doing so can actually prevent employees from doing their best possible work. "New bosses, particularly, tend to play boss," says Guinn. "They make all the decisions. A less secure boss tries to maintain control of everything—it all has to come through them. Better bosses ask the right questions and make sure they understand. If mistakes are made, they make sure everyone learns from them."

An unenthusiastic response to employees' ideas and suggestions sends a message that such suggestions are not welcome.

Hand in hand with overcontrolling is the failure to give credit where it's due, a common employee concern.

When an employee is praised for good work, however, it has more meaning when it is done in front of others than when it is done behind closed doors.

The worst bosses, Guinn says, are manipulative, have favorites, and assign blame.

5. Have a sense of humor and admit mistakes. "A good boss will have a consis-

Roberta Maynard covers business management as associate editor of Automotive Executive *magazine, in McLean, Va.*

tently upbeat style with an obvious sense of humor and an ability to joke about oneself and admit mistakes," says Thomas. "Someone who can do this will allow others to make mistakes, also."

A consistently heavy atmosphere in the workplace is a tip-off that the boss could improve his sense of humor. To judge the tone you are setting, notice how the shop looks, whether people take pride in their workplace, and whether they pitch in to solve problems. Managers and employees can have a seriousness of purpose yet lighten things up, experts say.

6. Provide direction and strive to be consistent. Bosses are often criticized by employees for changing agendas and being unwilling to set priorities. By formulating a plan of operation and sticking

to it, a boss will improve efficiency and also keep employees from becoming frustrated in their work.

"A good boss needs to have a clear and consistent sense of vision and direction for the operation and to share regularly with the team," says Thomas. "Surveys of employees show that they don't know the priorities and goals they should be working on and that the priorities seem to change."

In surveys by the CSRI management firm, one boss who was rated high by his employees was Marlin Thomas (a distant relative of consultant Don Thomas), president and CEO of the Lancaster, Pa.-based Willow Valley Associates. It is a family-run conference center, resort, shopping center, food service, and retirement facility. Thomas has 1,600 employees, including more than 100 team leaders.

David Strong, administrator of life care at the Willow Valley Manor retirement communities, says he appreciates the fact that Thomas has defined the company's long-range corporate plan, "so we know where we are going."

A good boss, like Thomas, is supportive, affirms what you are doing right, is tactful about correcting you, says Strong, "and must be fair and level-headed, and also a good problem-solver."

7. Look for ways to improve and to learn from others. Managers can become better bosses by trying to avoid the mistakes their own bosses have made or by adopting traits they admire—in short, by being open to change.

One boss whose management approach reflects such openness is Russ Weiss, an electrical engineer and president of Probe Technology, in Santa Clara, Calif. His $10 million company has 140 employees and makes printed circuit boards with electrical contacts that can test electronic chips before packaging. In a recent company survey, Weiss was identified by employees as an outstanding boss.

"There isn't any one management style necessary to succeed," says Weiss, who has 11 years' experience managing people. "I've always tried to identify managers' qualities—how [management] works, why they succeed. You can learn as much from a bad boss as from a good boss."

Weiss' own management style grew out of experiences with two bosses he worked for early in his career: one people-oriented, the other oriented to business strategy. "I have tried to be half of both—to present logic and thought, yet be conscious of the fact that you have to [accomplish] the job with people," says Weiss. "Being demanding of people, yet understanding—that balance is one of the most difficult. A boss has to be decisive."

Part of a person's success as a boss depends on the quality of his or her people, Weiss says. When hiring, personal character and a value system are more important than a 4.0 grade point average in engineering, an M.B.A., or a willingness to work 70 hours a week, he says. Along with honesty and integrity, teamwork and discipline are high on his agenda; office politics and sloughing off are not. "I don't tolerate politics," says Weiss, "and I don't believe in 'motivating' people. That notion is foreign to me. I look for people who have fire."

Great bosses aren't born that way. "We are not aware of any genetic traits for leadership," says consultant Don Thomas. "People respond by seeing examples of positive managers. Those who are good leaders were apparently exposed to other positive situations earlier in life."

What qualities will distinguish great bosses in the future? Bosses will succeed if they have the ability to promote teamwork and manage a diverse workplace, say experts, and both of those abilities in turn depend on that most fundamental people skill—good communication. NB

Family Business

Ways to make a trying time easier; a firm too generous with profit sharing; how to oust a disturbed manager.

OBSERVATIONS

A Final Gift—And One Of The Best

By Sharon Nelton

I've written before about my parents and their family business—particularly how being in business together strengthened their love for each other.

Mom died in August at age 75 from a leukemia that was mercifully brief but that gave most family members and friends time enough to say goodbye. In the months since, I've had a chance to think about what it means to prepare your family for your own death and about how grateful I am for some of the steps my parents took in advance.

What may seem cold and practical can be an act of love.
—Sharon Nelton

Now, having lost someone so close to me for the first time, I am totally convinced that making as many decisions as you can well ahead of time is one of the greatest gifts you can give to your spouse and your children. It saves them the anguish of wondering what your wishes might have been and from having to make important decisions under the most acute emotional stress.

I think this is especially true in family businesses where parents are still owners and managers, and where estates and relationships are complex.

In our case, things were relatively simple. Although my brother and sister had once worked in the business, there was clearly no one in the family who wanted to take it over. The business was sold long ago, and my parents retired in modest comfort. Their wills are as clear and relevant today as they were when they were drawn up a dozen years ago.

Three years ago, Mom and Dad made arrangements for cremation with a local funeral home and paid for everything then and there. This action underscored wishes they had expressed earlier to us children, and it spared us all, Dad included, from additional confusion and trauma when Mom's time came.

Though they had written a letter 15 years ago instructing that their lives not be prolonged by artificial means, early this year they were persuaded to sign updated living wills. The hospital and physicians honored my mother's wishes, and she died at home, with those she loved around her.

For some, it seems cold and much too practical to discuss the issues that death raises and to make plans for them. But the reality is that such planning is an act of love.

If you have not made plans regarding your own demise, or if your plans are in need of revision, I can recommend two publications:

- *What To Do When Your Spouse Dies*, a booklet that discusses decisions to be made, legal and financial considerations, and making new plans after a spouse's death. Send a check for $5 to the Cash Item Department, Commerce Clearing House, Inc., 4025 W. Peterson Ave., Chicago, Ill. 60646, or call 1-800-248-3248. Ask for Item No. 4862.
- *Spouse Survival List*, a checklist of vital information needed by spouses of family-business owners. Send $5 to Spouse Survival List, Family Business Program, College of Business, Oregon State University, Corvallis, Ore. 97331-2603, or call (503) 754-3326.

My parents were courageous in facing up to my mother's death. Part of their courage lay in making clear what they wanted and taking action to secure it. In so doing, they made an unspeakably trying time somewhat easier for each other and most certainly easier for us children. For that, I thank them both.

PLANNING

Are You Being Too Generous?

By Craig E. Aronoff and John L. Ward

When it comes to year-end contributions to employee profit-sharing or pension plans, many owners of family businesses are too generous.

Too often, the profit-sharing policy is more a reflection of the owner's personality than an objective decision related to business or family goals. The culture of paternalism, so common in family firms, further confounds the thinking.

Here's a typical story of a too-generous company:

In the early days, the Ajax firm had only a few employees. Pete, the owner, struggled to pay bills. He was grateful to employees who stuck with him. His moods varied directly with orders. When sales were up, he was up—and generous to a fault with pay raises and loyalty. But when sales softened and cash ran low, Pete would claw for survival. He hated laying off people, and it hurt him deeply when he had to ignore a hiring-anniversary date and the expected pay increase.

Pete knew he couldn't provide the same health insurance or perks of established companies. He felt he shortchanged his employees sometimes but that they accepted it out of loyalty. If an employee had a serious financial problem, Pete would find a way to help—perhaps a company loan or a job for a relative. That's what being a family business was all about, he reasoned.

Profits began to accumulate. Pete's tax accountant gave Pete the advice he offered all successful small-business owners: Set up a pension program based on a profit-sharing plan. Pete could shelter 15 percent of his own pay if he put aside an equivalent percentage for all other employees. In an era of high personal income tax rates, this seemed to make sense. Pete's accountant easily sold him on the idea, given Pete's paternalism and his sense of guilt about exploiting his employees.

The accountant made another attractive point: The plan was completely discretionary. If business went bad, there

was no commitment to contribute.

Pete considered it the best possible solution to employee retirement needs—one that gave them a generous tax shelter too! Moreover, family successors would not be burdened by long-time employees' pensions.

But the program suffered in implementation. As soon as Ajax could afford it, Pete put aside the maximum 15 percent of payroll. In his exuberance to get started, he neglected to establish a formula for tying the amount of the contribution to company profits. For example, he could have limited the contribution to the profit-

ILLUSTRATION: DAVID CHEN

sharing plan to 25 percent of pretax profits, so that in good years, employees could actually count on a pension contribution matching 15 percent of their pay, while in bad years they would get less.

In fact, avoiding taxes motivated Pete more than providing an incentive for employees to be more profit-conscious. Even if he told them that their benefit was tied to profits, it would have meant little because he wouldn't tell them how much profit the company made. That secret could never be shared. If times were tough, wouldn't good employees leave? For a long time, Pete presented the company as less profitable than it really was, figuring it was safer.

In time, Pete discovered that he couldn't be discretionary even though the law allowed it. Even when business was off, he continued to make maximum contributions to the plan. "After all that these people have done over the difficult years, how can you cut their pension?" he reasoned.

As Pete's paternalism became ever more entrenched, his very generous 15 percent profit-sharing contribution became a permanent employee benefit rather than a discretionary tax shelter for the owner and his family.

As Ajax has grown and aged, competition and mature markets have made cost cutting essential. Pete feels burdened by the plan's high costs and now wishes it had been tied to actual profits. "Everyone would pull in the same direction if their reward really reflected profits," he says. But he's still unwilling to share numbers with employees.

"It's too late," he sighs. "After all these years, any cuts in the contribution will hurt morale."

But executive morale is already being affected. Long-term senior executives are nervously defending the status quo. Younger managers, especially Pete's children, are fighting for a more normal, just, and open system. The conflict is hurting the effort to achieve a smooth succession.

How do you avoid the trap that Pete fell into? There are no painless paths, only some tips:

- Help employees understand profit and industry realities. Employees will receive honest information as a good sign, not a bad one.
- Collect and share surveys on retirement plans of other companies in your industry and area.
- Establish a base level of contribution for retirement security, perhaps through a 401(k) plan.
- Base all other contributions on a formula driven by actual profits.
- Remember that the better you explain the concept of profit and the need for it, the more accepting and motivated employees will be. Consider an annual report to employees to help them understand company performance and how they contribute to and benefit from it.

As you approach your year-end decision on your profit-sharing contribution, remember the story of Pete and the Ajax firm. Pete wanted to be fair, but he backed himself into a corner. Now, threatening changes must be faced. But the result will be a more competitive and secure firm. What better retirement benefit can a company provide?

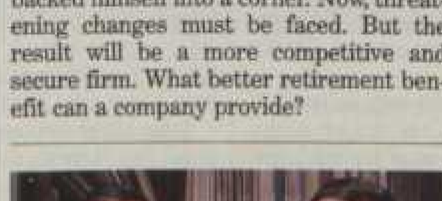


PHOTO: T. MICHAEL KEZA

John L. Ward is the Ralph Marotta Professor of Private Enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Dinos Chair of Private Enterprise at Kennesaw State College in Marietta, Ga. Both are family-business consultants.

Mark Your Calendar

Winter 1991-92, Georgia

"How To Sell and Value a Small Business," a workshop for family-owned and closely held companies, is being scheduled for various dates at schools and colleges throughout Georgia. For dates and locations, send a self-addressed stamped envelope to University Seminars, Inc., P.O. Drawer 2379, Blue Ridge, Ga. 30513; or call (404) 632-3821.

Feb. 6-7, Chicago

"Achieving Harmony, Creating Wealth in the Family Business," a conference sponsored by the National Family Business Council, will explore such issues as succession, managing conflict, business and personal growth, and family harmony. For program details, contact Lynn McBlaine at (708) 295-1040.

Feb. 9-11, Orlando, Fla.

A "Conference for Family Businesses" will be hosted by the Steel Service Center Institute, the American Supply Association, the National Building Materials Distribution Association, and the Industrial Distribution Association. Topics include competing against larger public companies, attracting and compensating nonfamily executives, and estate taxes. Contact Jim Collins, Steel Service Center Institute, 1600 Terminal Tower, Cleveland, Ohio 44113-2229; (216) 694-3634.

Feb. 17, Phoenix, Ariz.

"Exploring Agricultural Opportunities" is a seminar for absentee owners of family farms. Topics include marketing programs, estate planning through trusts, and creating a sound lease. For information, contact Farmers National Co., 11516 Nicholas St., Omaha, Neb. 68154; (402) 496-3276.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

CASE STUDY

When An Heir Runs Amok

ILLUSTRATION: DAVID CHEN

Sam McMillan III died in World War II, leaving a widow, Elizabeth, and an 8-year-old son, Sam IV. Almost immediately, young Sam began to help his mother part time in the hunting lodge that his great grandfather, Sam McMillan, had built in the 1870s and that Elizabeth had now inherited. The business grew.

Elizabeth remarried and divorced twice. Her third marriage produced two children, Jonathan and Rebecca, making Sam a half-brother in his midteens.

After high school, Sam took on more and more responsibility at the lodge; by his mid-20s, he was running it. But in the years since, he has shown a violent temper, instability, and boredom with the business. Sam has married five times; he has no children. He drinks heavily. An expert bow-and-arrow hunter, he disappears into the woods for long periods. Some of his ex-wives have accused him of physical abuse.

During Sam's absences, his siblings have taken over increased responsibility for the lodge. Both divorced, they have formed an informal partnership, and under them, the lodge has flourished and expanded. But when Sam periodically returns, he insists he is in charge. He has warned his mother and siblings against further changes and has made threats, and has thrown things to prove his point. His family lives in fear of him.

Elizabeth, now in her late 70s, gave each child a 20 percent share in the business on their 21st birthdays—a decision that, with respect to Sam, she now regrets. Jonathan and Rebecca have more interest in the lodge as a business, she says. "Sam just views it as a means of power."

She and her two younger children want Sam out of the business, but whenever the subject is raised, Sam goes into a rage. What can Elizabeth, Jonathan, and Rebecca do to get Sam out and assure the business more consistent management?

Muster Emotional Courage

Ronald H. Drucker, a CPA and co-founder of Drucker & Scaccetti, a tax, financial, and family-business consulting firm in Philadelphia:

Elizabeth, Jonathan, and Rebecca need to realize that the solution is not to try to change Sam's behavior; they can only modify their own.

They lack the security and fortitude needed to face up to Sam. In addition, confronting Sam with his options could lead to a volatile situation.

I recommend that Elizabeth and her younger children engage a psychologist to help them muster the emotional courage to deal with Sam.

Once they feel they are up to the task, they, with the assistance of the therapist, must meet with Sam. (And either they or the psychologist should contact the police or a private security firm to guard against potential violence.)

The first subject to present to Sam is their fear of a violent reaction to any discussion about the business or their relationships. Ultimately, Sam should be encouraged to seek psychological support of his own and to secure his own legal counsel. Family therapy should also be explored.

The McMillans should make a generous proposition, consisting of a buyout that allows Sam to reside on the property, provided he does not interfere with management of the business. Following an appraisal of the business, Sam should be offered compensation that is one-third the value of the property, a liberal proposal, considering the nominal value of his minority interest in the business.

By being magnanimous, the McMillans can keep Sam from making an issue over the fairness of the price.

Such an agreement should provide Sam with sufficient assets so that he will be financially independent of the property and yet enjoy use of it. His mother and siblings will have successfully confronted their problem and provided for responsible management of the lodge.

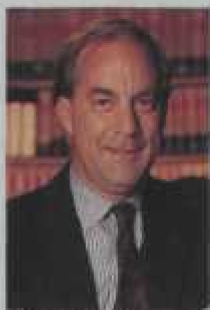


PHOTO: BRUCE ZAKE

Aim For Business Survival

Philip M. Dawson, partner in Calfee, Halter & Griswold, a Cleveland firm specializing in corporate law with emphasis on closely held businesses:

The legal solution to the McMillans' problem is simple. But this is a family that begs for more aid than a lawyer can offer.

I would first help the family secure the assistance of a business psychologist, one who can help it deal with its emotional issues—the many divorces, for example, and the deprivation that Sam perhaps still feels over the early loss of his father.

I would then map out the legal course of action, reminding the family that Sam wears two hats—that of an employee and that of a minority stockholder. Since neither of these puts Sam in a position of control, it is clear that Sam has no right to a job. My first recommendation to the company would be for the directors to meet and to discharge Sam.

Business survival must be the goal of any decision involving the family or the business that the family owns. All the best intentions regarding family members don't achieve anything if the business doesn't survive. When a disruptive force threatens the survival of the business, it must be eliminated, even if it's a family member. So fire Sam.

I would recommend that the company offer to buy back Sam's stock on terms acceptable to the company. It might be worthwhile to add a slight premium so as not to have Sam around as a shareholder, but I would not let Sam hold up the company. If Sam doesn't want to sell on a reasonable basis, then let him remain as an unemployed minority stockholder.

Elizabeth should attend to her estate plan so that the 40 percent of the stock that she still owns ends up with Jonathan and Rebecca.

Even though they are still in their 30s, it's not too early for Jonathan and Rebecca to meet with a family-business planner to discuss implementing a corporate succession plan for themselves.

This is one of a series of case studies of family business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Johnstown, N.Y.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Peter Weaver

AUTOMOBILES

The Lure Of Leasing

Have you noticed? There are a lot more ads in the newspapers these days outlining leasing a car as opposed to financing it. This is because manufacturers are now offering special incentives to push short-term leases.

Bill Galayda, manager of Tischer Leasing, in Silver Spring, Md., gives an example: "A three-year lease on one of my imported luxury cars might have a monthly payment of around $590 because the manufacturer gives me a 2 percent incentive interest rate. On a three-year car loan, the customer would have to pay $980 a month."

The manufacturers are pushing leases because they want to shorten the buying cycle. To keep monthly payments down as car prices went up, manufacturers first extended loan periods to four, five, and six years. "They couldn't extend the loans much further," says Jerry Duffy, manager of the Jefferson Bank leasing department in Philadelphia, "so they switched to leasing, where you are only paying for part of the car—the part you use during the lease."

PHOTO: COMSTOCK FRAZIER—FOLIO, INC.

Your new car—*should you buy or lease it? Before you decide, examine the costs carefully.*

There are basically two types of leases—closed-end and open-end. The closed-end lease is more popular because you don't have to come up with extra money at the end of the lease if the car's resale value has fallen below the original estimate.

The closed-end lease has some important restrictions however. You pay extra if you drive the car more than 15,000 miles a year, and it has to be in good condition when you return it.

The open-end lease does not guarantee a trade-in value at the end, and, for this reason, the monthly payments are lower. There are similar mileage and condition penalties, but, if you're careful, you could come out ahead. "Customers who don't go over the yearly mileage limit and keep their cars in good condition," says Duffy, "are rewarded with a rebate because the company can get a better resale price."

In a number of instances, buying a car with a loan may be better than leasing. You may want to keep the car for a long time or drive it a lot more than 15,000 miles a year. So, it's wise to compare costs.

"The biggest mistake people make when they lease a car," says Larry Goldstein, a certified public accountant with Ernst & Young in New York, "is not running the numbers to compare costs with financing."

If you are handy with figures, you can do it yourself. If not, have your accountant do it. "But remember," Duffy says, "because of fleet-pricing discounts, you pay less for a leased car at the start."

Be sure to get this information from the dealer or leasing company before you begin your cost-comparison calculations. ■

INVESTING

Good-Looking Convertibles

"With convertible bonds," says investment adviser Michael F. Carr, "you can have your cake and eat it, too, by getting the stability and income of a bond plus the growth potential of a stock."

Convertibles are a form of corporate bond or preferred stock that are exchangeable into a set number of common shares at a set price. You get income from the bond payments, and if the per-share price of the company's common stock goes up, the value of the bond goes up, too.

Carr, president of Carr & Associates, in Lodi, N.J., says, "You get less income than you would from the company's regular bonds, but you get more than double the yield you would get" from the dividends paid by a typical common stock.

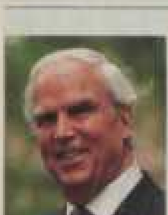
As for potential growth in value, Carr says, "the typical convertible gives you a quarter to a third less than you'd get from the typical common stock, but potentially much more than you would get from the company's bond."

What about the risk factor for convertibles?

"The investor," says Carr, "enjoys participation in price appreciation in a rising market, and the convertible's bond characteristics provide a cushion in declining markets."

When the stock market plunged in October 1987, according to Carr, "convertibles only went down a fraction of the stocks' decline, and some even went up a notch."

You can buy individual convertible bonds through a broker, but you get more diversification and professional management by purchasing mutual funds that specialize in them.



Peter Weaver is a Washington-based columnist on personal finance

Decoding The Prospectus From A Mutual Fund

"Most investors would rather read the fine print in their insurance policies than read a prospectus sent to them by a mutual fund," says Sheldon Jacobs, publisher of *The Handbook For No-Load Fund Investors*. He firmly believes, however, that "if you're a mutual-fund inves-

tor, learning about the prospectus is a must."

By law, all mutual funds must disclose the same sets of tables and information, and that information must be in easy-to-read English.

So the decoding task is not all that formidable.

Jack May, a certified financial planner with Manna Financial, in Fairfax, Va., offers these points on reading a prospectus:

"The cover or first page. This briefly outlines the objective of the fund. For example, XYZ Fund says its objective is to seek long-term growth by purchasing stocks of small, aggressive, global companies.

"This page should also give the date the prospectus was issued. It should not be more than a year old.

"The next page. Here you get the investment company's summary of expenses in a fee table. You can find out if there is a sales charge or commission when you buy shares. And you can find the management fee and whether there's a '12b-1' fee (charged to pay for marketing and distribution costs), and any sales charges or exchange charge (to move into the company's other funds).

"If you are buying a long-term growth fund with a portfolio of blue-chip stocks, the total charges shouldn't exceed 1 percent of the fund's value. On the other hand, if you are in a fast-paced fund that has to trade a lot, you should expect higher charges.

"On the next page, you find condensed financial information that reveals such things as the turnover rate. If this rate is high, the charged expenses will be higher. Again, if you're in a long-term growth fund, the turnover rate will be low. If you're in an aggressive, growth fund, the rate might well be higher.

"The following page or pages should describe the management of the fund. You can find out how long they've been in business and their experience. If they've just been in charge for a short while, then you should try to find out about their past record.

"The next pages usually describe how you can purchase shares, the minimum initial investment, and the special shareholder services. These can include such things as an automatic reinvestment plan, an automatic withdrawal plan, and telephone exchange privileges.

"The prospectus will tell you about one fund or a group of funds in the same company, but it won't provide any information on how they stack up against the competition.

"For this, you have to look up the special mutual-fund issues prepared by *Forbes*, *Business Week*, *Money*, and *Barron's* magazines.

"Most libraries will have most, if not all, of these resources." ■

FOREIGN TRAVEL

Protecting Your Health And Your Valuables

The U.S. State Department and the Centers for Disease Control have recently issued several advisories for Americans who plan to travel to places such as Latin America, Africa, Southeast Asia, and the area around the Yugoslavian turmoil.

To find out if the countries you plan to visit have had recent problems that you should be aware of, call the State Department in Washington for a continuously updated recording: (202) 647-1488.

In some African, Southeast Asian, and Latin American countries, AIDS is a growing health threat, which makes blood transfusions and injections especially risky. And in some places there have been serious outbreaks of cholera.

To find out the health situation for places you plan to visit and to get a rundown on any recommended inoculations, call the Centers For Disease Control Hotline in Atlanta: (404) 639-2572.

"Aside from the political and health hazards," says Katherine Holmes, editor of *The Diplomat*, a newsletter for travelers, "there are some major foreign cities where there's a significant crime problem."

Holmes advises against traveling abroad with expensive jewelry or other valuables or a lot of cash. She adds: "Be careful with your passport, credit cards, and other important papers and documents."

Thieves in some countries like to rush tourists who are carrying shoulder-strap bags and rip them away on the run.

It's also a good idea to make a copy of the principal information page in your passport (it gives the number, date issued, etc.) and keep it some place other than on your person. With this information in hand when you go to a consulate office to report the loss of a passport, the procedure will go much faster.

PHOTO: CHRIS SORENSEN—THE STOCK MARKET

Before taking off *on an overseas trip, see if the countries you will visit have health or crime problems or political unrest.*

"Some Third World countries," Holmes says, "won't let you bring in high-tech equipment such as a laptop computer because of the black-market activity." To see if your equipment is on the list of a particular country, check with the nearest consulate office for that country.

It's also a good idea to check with the U.S. Customs office at your port of exit to register any expensive new foreign-made valuables or equipment, such as cameras and watches, to make sure you can bring them back into the U.S. without having to pay duty. ■

JOINT OWNERSHIP

The Pluses And Minuses Of Dual Signatures

In most states, if you jointly own a home with your husband or wife, each spouse is protected against losing the place as the result of a successful lawsuit against the other. This is called tenancy by the entirety. "In some states tenancy by the entirety is presumed if husband and wife own the home jointly," says Washington, D.C., attorney Sandy Brusca.

In some states, though, this presumption is not made, and tenancy by the entirety must be spelled out in the deed. "It's always better to have this spelled out," Brusca says, "even if you live in a state where the presumption is made."

Protecting other assets, such as securities and bank accounts, can be more difficult. "Brokers and bankers are not always eager to take on accounts that are jointly owned under tenants by the entirety," Brusca says, "because they think it will require dual signatures on everything." But there's a way around the cumbersome dual-signature routine. "Each married partner," Brusca says, "should have a power-of-attorney document filed away so they can do routine business in each other's name."

Still, some brokerage firms and most banks don't want to take on assets that are covered under tenants-by-the-entirety rules. You may have to convince the branch manager or be prepared to move your business elsewhere.

And don't get carried away by the positive features of owning property in joint names. In some cases you may be better off having each partner own a percentage of specified assets. NB

For Your Tax File

How to keep taxes from trapping you.

By Albert B. Ellentuck

FINANCE

Restructuring Debt

PHOTO: EBERLE CHERNEY—UNIPHOTO

Restructuring debt *requires careful figuring to minimize taxes.*

Many small-business owners who are having financial difficulties because of the recession are "restructuring" their bank or other debt. Such restructuring can help relieve the pressure of debt payments until a company's cash flow improves.

Some of the tax consequences of debt restructuring are fairly straightforward, but there are a few traps.

For example, "Hamburger Happiness Inc." is having difficulty making payments on a $500,000, 10-year note at 11 percent. After negotiations, the bank agrees to accept $400,000 in cash to settle the debt. To obtain the cash, the company sells a building at one of its locations.

Under the tax rules regarding "cancellation of indebtedness," the $100,000 written off by the bank would generally be considered taxable income to Hamburger Happiness unless one of a number of exceptions applied. Among these exceptions is debt that a company incurred when acquiring an asset. Other exceptions are insolvency or bankruptcy at the time of the cancellation.

Note the potential for a double tax impact: Besides the tax on the canceled portion of its debt, the firm may also have a taxable gain on the sale of the building.

Consider another option: Instead of canceling the debt, the bank reduces the interest rate from 11 percent to 6 percent. This would not seem to be a cancellation of indebtedness, but the 1990 Tax Act could cause it to be treated as such, generating as much as $35,000 of income to Hamburger Happiness.

Tax rules here can be tricky. What's critical is the federal government's borrowing rate. If the modified interest rate is below the federal rate (it was 8 percent when the Hamburger Happiness debt was restructured), there could be income from cancellation of indebtedness. The income is determined by comparing the value of the interest payments at the new rate and the value they would have had at the higher federal rate.

A way to avoid cancellation-of-indebtedness income is to set the interest rate for the new debt at a level no lower than the federal rate. Your accountant or tax lawyer can tell you the current monthly rate for the debt maturity involved. ■

ESTATE PLANNING

Insurance Trusts

If your assets exceed $600,000, estate taxes could reduce the amount you can leave to your spouse and children.

As noted in the August column, every taxpayer has a $600,000 estate-tax exemption. If this exemption hasn't been reduced by the portion of gifts during your lifetime that exceeded the $10,000 annual limit per donee, and if the estate's assets are worth less than $600,000, the estate should not be subject to an estate tax.

Nevertheless, some types of assets not normally thought of as includable may be included in your estate.

For example, many people know that assets held jointly do not pass through probate. If a husband and wife own their home jointly, the house will pass automatically to the husband on the wife's death and will not pass through the probate court. What few realize, however, is that half the value of the house would be included in the wife's estate for estate-tax purposes.

Life insurance may also be overlooked. Insurance on a husband's life and payable to his wife could be included in his estate for estate-tax purposes even though it would not be part of his probate estate.

To keep the insurance proceeds out of an estate, the policy can be transferred to someone else. For example, if adult children are the beneficiaries and they are responsible individuals, a father may be well-advised to transfer the ownership of the policy directly to them. This means that they will be listed as holders of the policy on the father's life, and they will pay the premiums, be able to obtain the cash value of those policies, and change the beneficiaries if they wish.

Where the spouse is to be the beneficiary, a life-insurance trust may be useful. Take the example of a husband who has $500,000 of other assets and has his wife buy an $800,000 policy on his life. Since the policy is owned by his wife, it would not be includable in his estate, which would remain less than $600,000, and there should be no estate tax. If his wife survives him, her estate, upon her death, would include the $800,000 insurance proceeds and the $500,000 from her husband's estate, and her estate could be taxed as much as $248,000.

A better approach would be to set up a life-insurance trust that would buy the policy, collect and invest the proceeds, and pay the trust income and principal to the wife for life under a specific "approved" standard, such as "health and maintenance needs."

Upon the wife's death, the principal would be distributed to the children.

If properly done, the $800,000 policy could be kept out of not only the husband's estate but also the wife's estate, since she would have had no right to any principal other than that distributed to her under the set standard. In effect, the husband and wife will have transferred $248,000 more to their children. NB

Tax lawyer Albert B. Ellentuck is a partner in the Washington law firm of Colton and Boykin. Readers should see tax and legal advisers on specific cases.

Direct Line

Experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore

TRANSPORTATION

In The Driver's Seat

I want to start an airport taxi service and eventually expand to a limousine service. What associations and state agencies would be helpful in setting up this type of business?
E.A.M., Antrim, N.H.

First, find out "who regulates the taxi industry in your area, and are they issuing permits," says Alfred Lagasse, executive vice president of the International Taxicab and Livery Association. The regulator issuing the permits may be the city, county, or state government, depending on the community, says Lagasse. If no permits are available in your area, he adds, "then you are out of luck."

If you do obtain a permit, Lagasse says, you must meet several other requirements. You must be adequately insured, provide 24-hour daily service to all parts of your community, and comply with safety regulations.

ILLUSTRATION: © DAVE ALLEN

Be sure to list your company in the local Yellow Pages, says Lagasse. "The most important thing to do to market yourself is to make sure the public knows your telephone number."

For more information, contact Lagasse at the International Taxicab and Livery Association, 3849 Farragut Ave., Kensington, Md. 20895; (301) 946-5701.

LIVESTOCK

Donkey Business

I am interested in raising donkeys and possibly mules. I need basic information about the animals and some direction on where to go for help in getting started.
S.S., Waco, Texas

"People confuse donkeys with mules,"

says Betsy Hutchins of the American Donkey and Mule Society, an information clearinghouse that also sells breeding stock, in Denton, Texas.

A donkey is a species of equine related to the horse. It has long ears, it brays, and its tail is like a cow's. A mule is a cross between a donkey and a horse. "It is a hybrid, and it is sterile," says Hutchins.

Although mules "are friendly and make neat pets," they are considered farm animals, she says. The money is in donkeys, which are both pets and work animals but also reproduce and are bred with horses.

Miniature donkeys—"the most profitable breed nowadays," she says—are the latest chic pet.

Miniature donkeys measure 30 inches high. Males sell for $800 to $1,500 each, and females are $2,000 to $5,000 apiece.

Standard donkeys, or burros, are about the size of a Shetland pony and sell for $150 to $500 apiece.

The third breed, the so-called mammoth donkey (the size of a horse), is used for breeding mules, says Hutchins, and costs $900 to $3,000.

As in starting any business, you should know something about the specialty and have enough experience in it to know that you would enjoy working with such animals.

For answers to your questions about the breeding, raising, marketing, and selling of donkeys or mules, write to Hutchins at the American Donkey and Mule Society, 2901 N. Elm St., Denton, Texas 76201; (817) 382-6845.

CONSTRUCTION

Raising The Roof

I work for a commercial roofing company, and I feel it is time for me to start my own roofing business. Any advice?
P.D.H., Park Forest, Ill.

The National Roofing Contractors Association offers a number of management, technical, and safety publications that could help you. Among them are *The Successful Roofing Contractor* ($38), *Legal Do's and Don'ts for Roofing Contractors* ($4), and *Estimating the Roofing Job* ($350).

The educational programs that the association sponsors throughout the country include one on the basics of running a roofing business.

To order materials or for more general information, contact Eileen Solt at the National Roofing Contractors Association, O'Hare International Center, 10255 W. Higgins Rd., Suite 600, Rosemont, Ill. 60018-5607; (708) 299-9070.

Inspecting Homes

I have a master's degree in construction management from Purdue University and more than 10 years of various construction and engineering experience. I am interested in starting a home-inspection service. Could you provide information on getting started—from marketing to professional insurance?
G.B.C., Arlington, Va.

"Home inspection is a completely different discipline and career than construction or engineering," says Kevin O'Malley, president of Inspection Training Associates, a Vista, Calif., company that trains home inspectors. "It requires a working knowledge about every system and component in a house," he says.

Typically, a home inspector needs training in residential foundations, framing, roofing, plumbing, electrical wiring, heating systems, air conditioning, and grading, says O'Malley, who has been a home inspector for nine years.

Most states do not require that you be certified to conduct home inspections, but O'Malley strongly recommends that you consider certification from the American Society of Home Inspectors.

The Arlington, Va., organization represents the home-inspection industry and

sets standards for inspection professionals based on technical expertise, merit, and experience.

The American Society of Home Inspectors also recommends several training companies, including O'Malley's Inspection Training Associates.

Most companies offer courses on tech-

nical subjects, marketing, and field operations, and on matters such as professional insurance.

Costs range from $295 for a one-day seminar to $2,550 for an intensive 10-day course at O'Malley's organization.

Several training firms are recommended by the American Society of Home Inspectors. These firms include Home Tech, based in Bethesda, Md. (1-800-638-8292); HomePro Systems, which is headquartered in Falls Church, Va. (1-800-966-4555); and Inspection Training Associates (1-800-323-9235).

For information on home-inspection certification, write or call the American Society of Home Inspectors, 1735 North Lynn St., Suite 950, Arlington, Va. 22209-2022; (703) 524-2008.

ELDER CARE

Not Home Alone

I am interested in opening a senior-care residence center for elderly people who no longer can live independently but do not require nursing care. Where can I go for more information?
S.S.C., Arroyo Grande, Calif.

Chris Ourand, communications manager for the National Association for Senior Living Industries, suggests you first study your market to determine any lack of senior services. For help with such a survey and for technical expertise on the senior-living industry, Ourand recommends that you hire a consultant specializing in senior housing.

Dr. Bruce Davis, director of the Center for Study on Aging at the Abiline Christian University in Abiline, Texas, may be able to help you locate a consultant on senior care. Contact him at (915) 674-2350.

For more information on the field, contact Ourand at the National Association for Senior Living Industries, 184 Duke of Gloucester St., Annapolis, Md. 21401-2523; (301) 263-0991.

OWNERSHIP

Out Of The Family

What are the rights of minority stockholders, who are not family members, in a family-owned corporation?
J.F., Lexington, Ky.

"The rights of minority stockholders in a family-owned business depend on the conditions under which the stock was originally issued," says Sam Lane, with LBF & Associates, a Fort Worth, Texas, management consulting firm for family-owned businesses.

Lane says minority stockholders should be treated like any other shareholders in a family business. There should be regular shareholder meetings, with company financial statements made available, says Lane, and owners should communicate the company's dividend policy and buy-out arrangements.

Unless such matters are clarified, Lane says, "minority shareholders—family or nonfamily members—don't really have much recourse unless they get fairly aggressive about it, which means involving an attorney."

For more information on the subject, you can contact Lane at LBF & Associates, 5608 Malvey, Suite 211, Fort Worth, Texas 76107; (817) 735-1898.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062.

Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have developed *The Small Business Resource Guide*, which contains answers to the questions we are asked most frequently. The booklet is now available for $5.95 a copy (plus $1 for handling).

To order, send a check or money order to the Circulation Department at the address above.

THIS MONTH'S MOST-ASKED QUESTION

How To Promote Yourself

Small-business owners often ask us how they can better promote their product or service. There is no one right way to promote your business, say public-relations professionals. What works for one company may backfire for another.

The first step toward finding the best public-relations strategy for your company, experts tell us, is to write down your company's history, short-term objectives, and long-term goals. "This exercise will help you get your thoughts organized, and it will provide a basis for a plan," which then becomes the basis for your overall marketing goals, says Rhonda Sanderson, a public-relations consultant to small-business owners, in Highland Park, Ill.

Sanderson says every company requires a different combination of public-relations strategies to achieve its goals. For some, she says, advertising does the trick. For others, a combination of advertising, community involvement, and promotional events may help get attention for a company.

Books on public and media relations and on small business often are helpful aids. *How To Start a Business and Succeed*, by Ripley Hotch (Stackpole Books), includes a chapter on how to get the media to talk with you. Among recent books on public relations are *The Publicity Kit: A Complete Guide for Entrepreneurs, Small Business & Nonprofit Organizations* (John Wiley & Sons) and *The Publicity Handbook: How to Maximize Publicity for Products, Services & Organizations* (NTC Publishing Group).

Sanderson offers the following suggestions for developing your firm's marketing/advertising approach:

Stick with the message. Decide on your company's image and weave it into everything you say and do.

Keep current. Become a resource on your area of business. Reporters often look for so-called experts for quotes, and you should be ready to respond.

Promote your employees. Find out what your employees do in their off hours. If someone on your payroll has an unusual hobby, it may be worth promoting. It could give your company publicity, too.

Finally, the information center at the Public Relations Society of America, 33 Irving Place, 3rd Floor, New York, N.Y. 10003; (212) 995-2230, has articles, book chapters, and case studies on public relations for small-business owners. General information given by phone is free, but there are fees for extensive research and for some printed materials. NB

FRANCHISING

Filling Niches In Health Care

Franchised companies are providing patients and health-care professionals with a widening variety of services.

By Meg Whittemore

The strongest employment area through the year 2000 is projected to be delivery of health-care services, according to the Bureau of Labor Statistics of the U.S. Department of Labor. For franchised businesses aimed at this high-growth area, the future is bright.

PHOTO: ©SAL DIMARCO JR.—BLACK STAR

With a Wheelchair Getaways van, *Helen Keister helps daughter Renee Balke travel to a Philadelphia-area college.*

Health-care franchises encompass a wide range of products and services. There are franchises that provide home health care, wheelchair services, hearing aids and hearing-disorder treatment, dental care, and physical therapy. Also serving the health-care field are franchised birthing centers, optometry firms, osteoporosis diagnostic centers, medical-equipment suppliers, wellness-information centers, and nutrition clinics.

Edward Grant, president of Health Force, a Westbury, N.Y., employment-services franchise specializing in health-care temporaries, explains why his outlook is bright: "New technologies, the growing elderly population, and increased health-care spending are expanding the need for professional health-care temporaries."

Health Force franchises place registered nurses, licensed practical/vocational nurses, physical therapists, technicians, home health aides, homemakers, and companions in temporary positions within the medical community.

The hourly rates charged to the client depend on the level of care required. For example, a homemaker—someone who performs the daily operational routines of running a home—commands $11 per hour. The charge for registered nurses is $35 to $45 per hour, depending on the location of the franchise.

"The home health-care worker is in high demand right now, and that trend will only get stronger," says Grant. "Hospitals have become the centers for critical care such as operations," he says, "and patients are sent home to convalesce."

The escalating costs of nursing homes and hospital stays, advanced technology, and the social variables that encourage home care—such as the graying of America—"all combine to provide us with a very positive growth outlook," says Grant.

Grant started Health Force in 1975 as an outgrowth of his clerical temporary-employment service, Career Placements, which he had begun 10 years earlier. Currently, Health Force has 63 franchises nationwide and is opening an average of two locations per month.

Health Force franchisees are a special breed of professional, says Grant. Along with the usual franchisee requirements of management experience, financial backing, marketing and sales skills, he says, "you have to be a loving, caring person."

"It is not a 9-to-5 kind of job," he says. Franchisees often find that their clients require round-the-clock attention, seven days a week. "This franchise is not for everyone," says Grant.

Start-up costs for a Health Force franchise are $114,500. Monthly royalties are 12 1/2 percent based on gross monthly sales. Health Force provides training, computerization, payroll production for temporaries, invoicing, and national quality standards.

Serving the needs of the at-home patient, the elderly, and the disabled is clearly a market niche that is attracting the attention of entrepreneurs who not only want to make money but also want to do some good for other people, says Edward Van Artsdalen, founder of Wheelchair Getaways. The firm, based in Newtown, Pa., is a van-rental franchise offering specialized transportation to people with disabilities.

The frustration experienced by a disabled friend who needed reliable transportation was the impetus for Van Artsdalen's decision to become a franchisor. "I realized that there was an urgent need among the disabled for convenient, inexpensive transportation," he says. In 1988, he started to work with the disabled in his community to figure out how to meet their transportation needs.

Van Artsdalen discovered that although there were many companies converting vans for purchase and use by the disabled, few firms were renting vans that the disabled could use for short periods.

"I listened to the disabled community and learned that their quality of life could be tremendously improved if they had the means to travel," he says. However, most disabled people can't afford the $20,000 to $30,000 price tag of a fully converted van.

Van Artsdalen, who previously owned a successful school-bus business, bought two vans and had them outfitted with power lifts, raised roofs, tinted glass, plush interiors, and the most advanced tie-down system for holding an occupied wheelchair firmly in place while the vehicle is moving.

"The disabled loved the idea," he says. "Finally, families could rent a van and take a day trip or go away on vacation. It provided a lot of independence."

The vans rent for $85 per day, and customers sign a typical car-rental form, agreeing to drop off the van at the location where it was rented.

Total start-up costs for a Wheelchair Getaways franchise are $75,000, which includes the franchise fee, training, and two fully modified vans. Much of that cost can be financed if the vans are leased from Van Artsdalen, he says. In addition, a flat royalty of $500 a year per vehicle is charged regardless of whether the vans are bought or leased.

Currently, there are Wheelchair Getaways franchises in 25 U.S. cities. Van Artsdalen plans to sell 20 franchises a year, "which is a very controllable growth rate," he says.

Not all applicants for a Wheelchair

Getaways franchise pass Van Artsdalen's stringent requirements. "We look for a very special franchisee—one who has the right financial qualifications to sustain growth," he says, "and someone who is either disabled or has had personal experience among the disabled."

Pharmacies also are entering the franchise arena. For example, Medicap Pharmacies, Inc., headquartered in Des Moines, Iowa, offers full prescription-drug service and limits its inventory to other health-care items—such as over-the-counter pain relievers and vitamins. Medicap's president, William Kimball, says, "We believe that adding cosmetics or gifts would dilute our identity as a medication provider and educator."

Medicap offers health screenings and distributes wellness information through its 76 franchised locations. Kimball says the company targets young families as well as consumers in their 50s and older. Site locations are in neighborhood areas where parking is available.

Customers can call in with questions or prescription orders after hours, have their prescriptions delivered, and even make their purchases by mail. Customer records are kept in a computer-generated medical profile containing diagnoses, prescriptions, drug interactions, and tax records. On request, the pharmacies will file insurance claims for their customers at no extra charge.

"We call it customer care instead of customer service," says Kimball. "We believe our biggest strength is the one-on-one contact our customers receive [from the pharmacist]."

A Medicap franchise costs $100,000 to $120,000, depending on location, and each franchise must be at least one-fourth owned by a registered pharmacist. Franchisees each month pay a 4 percent royalty and a 1 percent advertising fee—both based on gross sales for the month.

Typical franchisees include pharmacists who want to go into business for themselves, says Kimball. "We give them all the business and marketing tools they need to be successful," he says. "Our concept of customer care covers our franchise owners, too."

Survival in today's economy requires caring for, and about, the customer, says Kimball, adding that he thinks it is what will separate the success stories from the failures.

The driving force for growth in franchised health-care services is demographics, says John Reynolds, vice president of marketing for the International Franchise Association. "People are living longer, and they are going beyond a stage in which traditional mainstream medicine really applies to their needs," he says. As a result, there is opportunity for those franchisors willing to offer specialized health-care services. NB

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Where I Stand

On Government Reform

Last month, we asked your opinion on limiting congressional terms. This month's survey seeks your views on other government-reform proposals. Results of this monthly poll are provided to the Bush administration and leaders of the Senate and the House of Representatives.

Send the attached postage-paid response card. Or you can circle your answers, fill out the coupon below right, and fax this page to (202) 463-5636.

1. Should Congress exempt itself from workplace requirements it imposes on business?

1. Yes
2. No
3. Undecided

2. Should congressional committee chairmanships continue to be awarded according to seniority?

1. Yes
2. No
3. Undecided

3. The budget agreement of 1990 makes it more difficult for Congress to raise spending or cut taxes. In view of current economic conditions, this agreement should:

1. Remain in effect
2. Be modified to facilitate tax cuts
3. Be abandoned to permit tax cuts and increases in social spending

4. What is your perception of the package of pay, benefits, and perks of members of Congress?

1. Excessive
2. Adequate
3. Inadequate

5. Should the federal government provide financing for congressional campaigns?

1. Yes
2. No
3. Undecided

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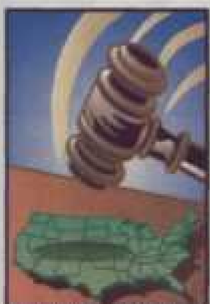
Congressional Alert

A report on key legislative issues with suggestions for contacting Congress about them.
Addresses: U.S. Senate, Washington, D.C. 20510; U.S. House of Representatives, Washington, D.C. 20515.

Potential Changes In Benefits Law


ILLUSTRATIONS: RICHARD GAGE

Congressional proposals to change a major employee-benefits law would almost certainly increase businesses' costs.

The legislation, pending in both houses of Congress, would repeal provisions in ERISA—the Employee Retirement Income Security Act. Those provisions prohibit states from imposing penalties in cases involving employee-benefit claims.

Enacted in 1974, ERISA has provided uniformity in regulations for employee-benefit plans by replacing numerous and often conflicting state and local statutes with a single federal standard.

ERISA requires that benefit plans spell out procedures for resolving disputed claims out of court. Should these procedures fail to provide satisfaction, a complainant may seek federal judicial review.

The pending legislation—introduced in the House by Rep. Howard L. Berman, D-Calif., and in the Senate by Sen. Howard M. Metzenbaum, D-Ohio—would allow complainants to seek satisfaction under federal *or* state law.

According to the U.S. Chamber of Commerce, business was united in its support for passage of ERISA, primarily because the statute allowed for preemption of state pension laws.

The Chamber believes the bills to change the law—H.R. 1602 in the House and S. 794 in the Senate—would significantly increase the cost of group health, life, and disability plans. It projects that passage of the legislation would reduce access to insurance by increasing insurance costs, particularly for small businesses; would threaten cost-containment programs by increasing employers' risk of punitive damages; and would create a financial incentive for employees to litigate.

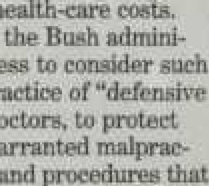
Urge your representative to oppose H.R. 1602 and your senators to oppose S. 794.

Medical-Liability Reform

Medical-professional liability reform, also known as malpractice reform, is gaining attention on Capitol Hill as a key to controlling spiraling health-care costs.

Earlier in the year, the Bush administration urged Congress to consider such reform to stem the practice of "defensive medicine," in which doctors, to protect themselves from unwarranted malpractice suits, order tests and procedures that may not be medically necessary.

It is estimated that as much as $50 billion is spent annually on defensive medicine. Studies by the Rand Corp. have found that as much as one-fourth of hospital days, one-fourth of medical procedures, and two-fifths of medications prescribed may be unnecessary. Other researchers have found wide variations in the use of procedures across different geographic regions, with no apparent medical justification.



While changes are needed in many health-care areas to control costs, the U.S. Chamber of Commerce believes aggressive action can and should be taken immediately in several areas, including malpractice reform, to halt the upward cost spiral.

Business was spending about $12 billion per year in 1971 to finance group health benefits for employees. Today, that figure has grown to more than $145 billion. General inflation accounts for only $24.6 billion of that increase.

Employer health-benefit cost increases averaged about 10 percent per year from 1980 through 1986, jumping to 15 to 20 percent per year beginning in 1987. Indemnity insurance rates went up 22 percent in 1990; price inflation accounted for over 40 percent of the increase.

Contact your senators and representative, and urge them to pursue medical-professional liability reform immediately. Tell them such action would reduce liability costs and, by doing so, would help limit the rising costs of health care.

Taxing The Transfer Of Funds

The rising cost of the savings-and-loan crisis is propelling a move on Capitol Hill to enact a new tax on electronic transfers of funds.

Sen. John F. Kerry, D-Mass., who has prepared legislation including such a tax, is expected to introduce the measure as an amendment to some other legislation.

Kerry's plan would impose a tax on the value of fund transfers made through electronic-payment systems as a means of financing the thrift bailout.

The price tag for bank and thrift bailouts is currently estimated at $80 billion per year, though projections are expected to rise.

The Kerry proposal would establish an off-budget revolving fund to meet the costs of the Bank Insurance Fund; the Savings Association Insurance Fund; and the Resolution Trust Corp., the federal agency handling the bailout.

Under the proposal, the secretary of the treasury would set the amount of the fee to be placed on fund transfers and the dollar amount at which a transfer would trigger the fee.

Because the measure would prohibit the appropriation of any additional funds for the bailout, it would effectively require the fee to be set high enough to cover the bailout's full cost.

According to the U.S. Chamber of Commerce, this type of funding mechanism would provide the federal government with a blank check to pay the increasing costs of the bank and thrift resolutions at the expense of businesses that use or depend on the electronic transfer of funds.

Contact Sen. Kerry's office and urge him not to introduce his proposal—as an amendment or as a separate bill—to tax electronic transfers of funds.

Urge your representative and senators not to shift the costs of the S&L bailout to business. NB

Editorial

Needed Now: Policies That Will Restore The Economy To Its Historic Growth Pattern

Many of the same Washington officials who denied the onset of the recession despite strong, contrary evidence last year are now declaring it over, again in the face of overwhelming evidence to the contrary.

PHOTOS: T. MICHAEL KEZA

Sen. Kasten

The source of their assertions that the downturn is behind us was a single figure—a 2.4 percent increase in gross national product in the third quarter of this year following three quarters of decline.

Unfortunately, that single piece of evidence is itself misleading, and placing it in the larger context of the general economy shows that it offers scant grounds for optimism.

The third-quarter figure was, in economic terms, front-loaded. Growth faded as the quarter progressed. For example, orders for manufactured goods rose in July but declined in August and September.

Other reports show a still-troubled economy.

General Motors and Ford reported combined losses of $1.5 billion for the quarter. New-home sales fell in September. Bad loans and excessive regulation continue to hamper banks' ability to make loans. Unemployment rose from September to October. In late October, Federal Reserve Board Chairman Alan Greenspan said that early-summer "signs of spark" in the economy had vanished, and the economy had turned "demonstrably sluggish." That assessment contrasted sharply with his midyear statement that the recession was over.

The bottom line is that the recession is not over. Prompt and aggressive action is needed to put the economy back on a consistent growth track.

Policy-makers must first understand what is involved.

Lawrence A. Hunter, acting chief economist of the U.S. Chamber of Commerce, notes that the past three years have seen a dramatic shift from the average 3 percent annual growth that occurred between 1954 and 1988. "Not coincidentally," he explains, "the development of this growth gap coincides with a dramatic paradigm shift away from growth-enhancing policies toward policies of economic austerity, higher taxes, runaway spending, and re-regulation. . . . Current policies have resulted in the second-slowest growth period since the Great Depression."

The result of these trends is not a temporary downturn followed by a recovery but a significant reduction in living standards.

Gross national product a year from now will be $800 billion under the level that would have been attained if historic growth patterns had prevailed. By the end of 1996, the five-year income loss for a family of four will be nearly $20,000, and there will be 9 million fewer jobs than would have been created.

Those highly disturbing projections must be addressed in any effort to restore economic health. A viable economic-growth package must ease the tax burden that stifles capital formation and discourages entrepreneurship, and that tax relief must extend to individuals and families as well as to investors, savers, and entrepreneurs.

Several proposals now pending on Capitol Hill recognize the importance of those goals. One that meets the principal criteria is the "Economic Growth and Family Tax Freedom" plan sponsored by Sen. Robert W. Kasten Jr., R-Wis., and Rep. Vin Weber, R-Minn.

Fortunately, the recognition of the need for strong growth policies is bipartisan. Democratic Sens. Lloyd Bentsen of Texas, Daniel P. Moynihan of New York, and Jim Sasser of Tennessee are also among the sponsors of growth-oriented legislation.

All these tax-relief proposals raise the question of how they can be implemented without increasing the federal deficit. We have long since learned that genuine deficit reduction can be achieved only through sustained economic growth and spending restraint.

The responsible tax-cut policies now pending are based on that course.

The Congressional Budget Office estimates that a 1 percent increase in economic growth would mean a $258 billion reduction in the deficit over five years. By applying a $70 billion "peace dividend"—defense savings made possible by reduced world tensions—taxes could be cut $328 billion over five years without increasing the deficit.

Sen. Bentsen

Congress must also realize, however, that a return to sustained economic growth requires more than tax cuts, important as they are. Spending controls and a rollback of excessive regulations must be key parts of the strategy.

In opposition to the long-term growth plans being offered on Capitol Hill are proposals for stimulating the economy by expanding social and other government programs. Many of these initiatives would require higher taxes and/or a higher deficit, thereby worsening chances of a sound recovery.

Rep. Weber puts the debate in focus when he states of the plan he is co-sponsoring:

"This package is about growth, not about redistributing income. We're not talking about whose taxes to raise; we're talking about getting the economy moving again." NB

Free-Spirited Enterprise

By Janet L. Willen

STRATIONS: MATTHEW [illegible]

Get your pencil and holiday shopping list ready. Here are some items you might want to add.

Weather Report

A new device from **ENEWS U.S.A. Inc.**, of Wheeling, Ill., can keep you on top of the weather.

The calculator-size product, AMADEX WF-4000, has a built-in electronic barometer that measures atmospheric

pressure changes over an 8-mile radius every half-hour. Just push a button on the keyboard, and the machine will display one of four symbols on its screen to convey the atmospheric conditions.

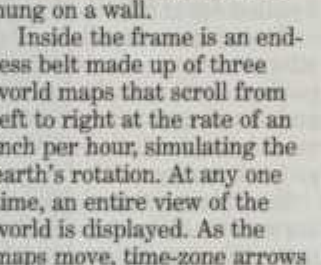
AMADEX also functions as a world clock, a telephone directory, and a calculator. The unit costs about $149.

For Clock Watchers

Business people interested in the global picture might like the Geochron World Time Indicator from **Geochron Enterprises**, of Redwood City, Calif.

The Geochron is a flattened representation of the globe divided into all time zones. It is mounted in a 3-by-2-foot frame and is designed to be hung on a wall.

Inside the frame is an endless belt made up of three world maps that scroll from left to right at the rate of an inch per hour, simulating the earth's rotation. At any one time, an entire view of the world is displayed. As the maps move, time-zone arrows point to a stationary time scale to show the time everywhere in the world.



Days of the week and dates of the month are also indicated. An illuminated area in the center of the map shows where it is daylight. Prices start at $1,265.

For Auld Lang Syne

In time for your holiday party, **MSC U.S.A.**, of Buffalo, N.Y., offers a compact bar.

The company's new Manhattan Bar Organizer fits 22 bar tools neatly into a sleek matte black carousel. The $50 unit measures $5^1/_8$ inches wide by $7^3/_8$ inches high by $5^1/_8$ inches across. It contains a corkscrew, cocktail strainer, six coasters, six stir sticks, a wine server, a liquor server, a bottle-cap remover, a jigger, a cork strainer, and tongs. To keep the party in moderation, you can cap the wine and liquor with the two resealable covers included in the set.

Breathing Easy

One way to keep office-party revelers off the roads is with a breath analyzer from **Communidyne, Inc.**, of Northbrook, Ill.

Hand-held and free-standing stationary units are available. The user blows into the portable unit through a straw or the built-in mouthpiece; the stationary model has a straw. A meter registers the user's blood alcohol level.

Hand-held units cost about $169, and free-standing models, about $1,850.

Communidyne rents stationary models for use at parties.

Flights Of Fancy

You can stop yearning for the good old days and start living them with a 1930s-style trip across the country.

Del Rosso Aviation, of Matawan, N.J., offers travel from New Jersey to Oregon and back in fully restored two-seat open-cockpit biplanes. The trip takes about three weeks and includes sightseeing excursions along the way.

Del Rosso will take two passengers each trip. Each passenger will fly in a plane with a pilot.

The adventure costs $25,000 per person, which includes travel, room and board, and sightseeing.

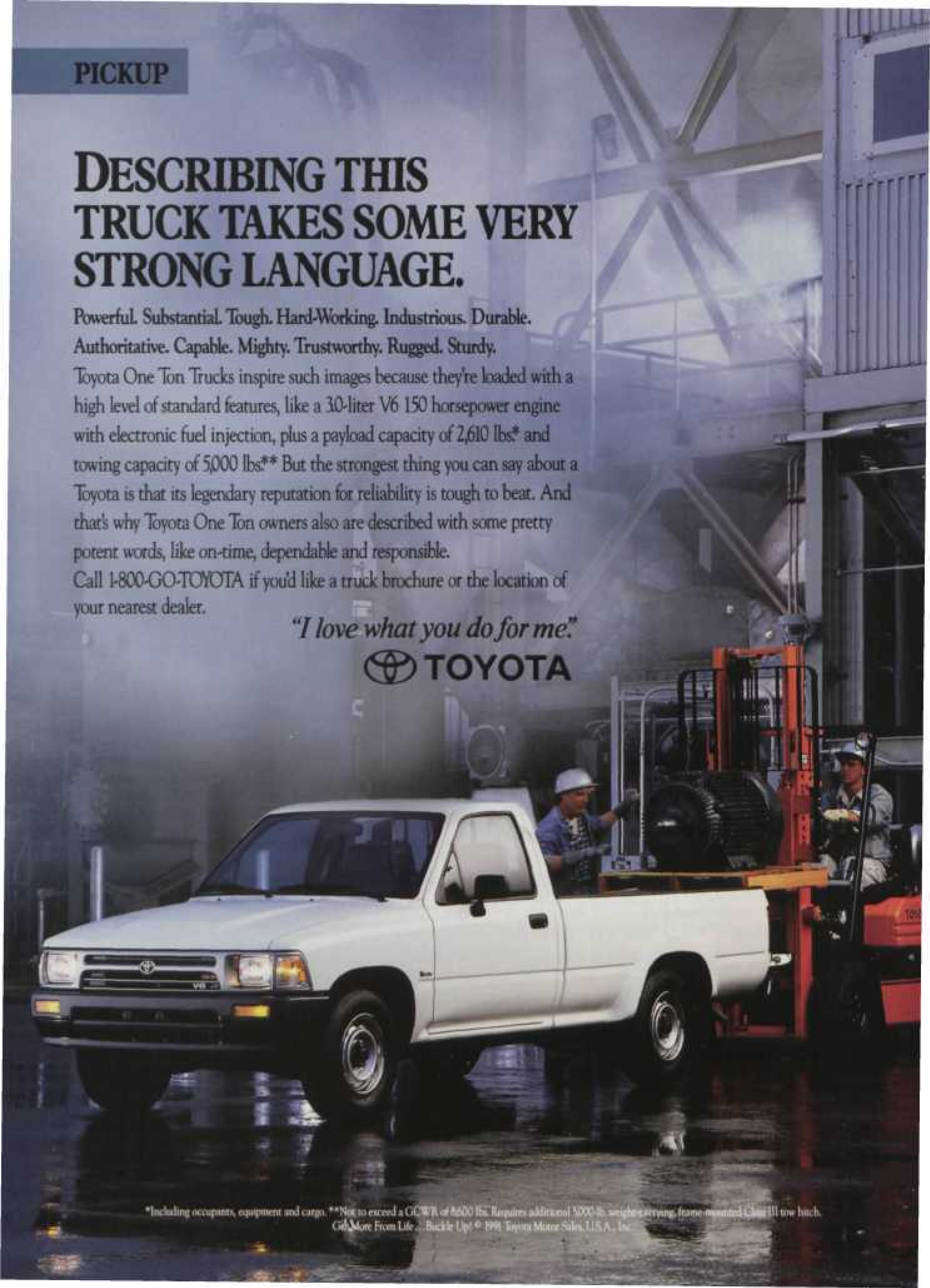
Where's The Milk?

You don't have to be the Cookie Monster to crave what comes from **Cookie of the Month.**

Helen Doordan, president of the Avondale, Pa., company, features a different homemade cookie each month. Customers select months for delivery.

Among the goodies featured: For December, Doordan sends Russian tea butter balls, made of almonds, pecans, and chocolate; for February, chocolate fudge nut drops; and May, mocha almond fudge brownies. Chocolate-chip lovers can get peanut butter chocolate chip in June and chunky chocolate chip with walnuts in November.

Cookies are wrapped in cloth napkins and shipped in gift boxes. A year's worth of treats costs $15.75 a month. For an extra fee, Cookie of the Month will put your company's logo on the box.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